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MARKUS MARTOLA
STRATEGY, RIVALRY AND CHANGE IN COMPANY CONTEXT
Master of Science Thesis.

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Työn tavoitteena oli luoda yritys X:lle muutosjohtamisen malli, jonka avulla yritys voisi jatkossa toimeenpanna liiketoiminnan kannalta tarpeelliseksi kokemansa muutokset tehokkaasti. Muutosjohtamisen mallin tuli olla kontekstista riippumaton, jotta sen soveltaminen olisi mahdollista muutosten kokoluokasta ja aihealueesta riippumatta. Toisena tavoitteena oli yksilöidä muutosjohtamisen kannalta avainelementit, joiden vaikutukset onnistuneeseen muutoksen luomiseen ja implementointiin ovat merkittäviä. Näiden avulla johtajien, päälliköiden ja tiimivetäjien mahdollisuudet hyvälle muutosjohtamiselle kasvavat merkittävästi, koska he voivat käytännön johtamistyössään keskittyä olennaisimpiin muutosajureihin. Työn kolmantena tavoitteena oli myös tunnistaa yritys X:n ja sen liiketoimintalueiden kannalta tärkeimmät käytännön asiat, jotka puoltavat tai vaativat muutosta hallituksen asetettaman tulevaisuuden tavoitteen tehokkaaksi saavuttamiseksi. Työ toteutettiin kirjallisuustutkimuksen ja haastatteluiden avulla. Haastatteluihin osallistui enemmistö yritys X:n johtoryhmästä sekä laajennetusta johtoryhmästä.

Muutosjohtamisen mallissa luotiin avainelementit tehokkaalle muutosjohtamiselle. Lisäksi kohdeyritykselle on esitetty tuloksina liiketoimintakohtaiset käytännön ratkaisuehdotukset perustuen haastattelututkimuksiin ja luotuun muutosjohtamismalliin. Liiketoiminta-alueen 1 suurimmaksi haasteeksi nousivat johdon näkemysten epäyhtenäisyys tulevaisuuden tavoitetilään liittyen sekä strategioiden käytännön loppuunsaattaminen. Liiketoiminta-alueessa 2 olennaisimmat haasteet liittyvät operatiivisen toiminnan tehokkuuteen sekä siirtymiseen b-to-c toimintaan.

ABSTRACT

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Main purpose of this thesis was to create a model for leading change, which helps corporation X to execute efficiently the changes they have decided to be essential for their business now and in the future. The model should be universal in order to be applied regardless of the size and type of the change. Second purpose was to define key factors, which have significant influences to successful change creation and execution. The identified key factors should improve executives', managers' and team leaders' chances for successful change execution, because with this information they can focus their daily attentions to most essential change contributors. Third purpose was to identify the most important factors in corporation X's different business areas, which advocate or demand changes inside the corporation in order to achieve board's predefined business targets efficiently. The study was conducted by literature research and face-to-face interviews with majority of the corporation's top and extended management team members.

A universal proceeding model for change execution was created and key factors for effective change execution were defined. Additionally, recommendations for corporation X's different business areas were made based to interviews and created change proceeding model. Biggest challenge in business area 1 revealed to be the incoherence among management's understanding of future target state as well as strategy execution. Key challenges in business area 2 are related to operational efficiency and turnaround from b-to-b to b-to-c.

FOREWORDS

This study is focused on effective creation and execution of changes. The process of writing this thesis started during the Strategic Management course (2014) in Tampere University of Technology where Professor Hannu Vanharanta was in charge. Research questions have been forming since august 2015, when funding corporation's director of strategic management and business development expressed the major changes their organization is going to face.

This research would not have been completed without Professor Hannu Vanharanta's strong and relentless effort. Additionally, without the approval from the director of the board and the director of strategic management and business development this research would not have been written. I thank each of these individuals for this opportunity, support, freedom with my work and excellent conversations.

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1. INTRODUCTION

1.1 Background

The circumstances where the organizations are operating are changing and evolving all the time. It is the rule, which cannot be changed. (Kamensky 2014, p. 20). Phenomena and happenings in global and local environment creates changes in business environment. Digitalization and urbanization are good examples of current phenomena, which will create need for new kind of services and products in large scale for longer time. These phenomena can create new opportunities as well as threats, which can endanger companies future, if they aren't strategic agile as well as awake with their evolving environment. Additionally, political circumstances locally and internationally might change very quickly and develop challenging or hazardous direction, as it seems to happen at the moment. Competitors and new rivals can change the state of competition in the markets or, even new disruptive services or products might be developed, which make existing products, services and even whole business models outdated in a short moment. These are just few examples, why top management needs to evaluate environment systematically, predict impacts of these identified changes and try to make right decisions, which are abreast. On the contrary, this all means that existing world around us offers all time opportunities for new business. The question is, which companies are the ones who will take the advantage from this continual development by creating something new, which offers updated value for people. This thesis prefer management to start contesting so disruptive business models with unique value offering, that it creates new phenomena.

Every top management team should have members who have strong strategic knowhow and skills. This could be considered by the importance of great strategists in warfare. Would you like to be in the same side with great strategists or how would you feel if you know, that your enemy has these great strategist and you have only good managers? Reading about history of wars and famous business cases shows the power of exceptional strategies and simultaneously consequences of bad strategies. The insight here is, that successful changes does not come only from having good leadership, management and culture inside organization. Instead, those are the key tools to execute strategies well. Great success comes from mastering simultaneously strategy creation, leading and managing change in all hierarchical levels.

1.2 Research questions and objectives

Purpose in this thesis is to develop explicit change execution model which helps corporation X to make transitions from current states to target states efficiently. Model is meant to be universal in order that corporation can utilize it in different contexts now and in future.

Research objectives is to find the primal factors, which have been ascertained to contribute successful execution in big strategic changes in corporations. After these contributors are discovered and aggregated, next phase is to compose a coherent proceeding model which helps corporation to achieve new target state taking simultaneously into account personnel's wellbeing.

Thesis should offer essential information about leading and managing change, creation of collective commitment, successful strategy creation and implementation and basics for innovative strategic thinking. Information received by research should also help corporation's top management to discover best practices to create disruptive business models with unique value offering.

Research questions are following:

1. Which are the critical factors which helps corporations to execute efficiently big strategical business changes?
2. How should the change be lead in corporation X in order to achieve new target state efficiently, simultaneously taking care of employees' wellbeing?
3. Which are the primal leverages which the corporation needs to focus on in order to achieve their new target state?

1.3 Scope and limitations

Research focuses on to following key themes:

- Strategy creation and execution
- Leading and managing change
- Human behavior under change
- Individual's internal working life

Financial aspects are not taken into consideration.

Limitation with thesis can be interviewees individual capability and willingness to expose own thinking accurately in limited time period.

1.4 Research approach

Research is conceptual analysis by nature. Research methods include literature review and interviews. The empirical part of the study is based on interviews conducted with top management of corporation X. Literature review will be used to discover the key contributors for excellent change executions. This gives information to first research question. Interviews form the empirical part of this research and those are used to acquire data for the second research question. Literature review and interviews should offer information in integrated way to answer to research question 3. Last part includes conclusions and recommendations for top management and board of directors.

2. DEFINING STRATEGY MAKING AND CHANGE

2.1 Definition of strategy

The more one reads articles and books about strategy written by different authors, the more accurately one could allege that there is no absolute definition for strategy. Instead, there seems to be as many opinions as storytellers. In most cases the context also seems to be defining factor for this concept. Below are presented some summarized definitions of strategy created by few authors.

- Mintzberg defines strategy as a pattern in a stream of decision. (Mintzberg 1978)
- Instead of detailed step-by-step plans of actions, strategies are rather directional statements which are set by arena, advantage, access and activities. (Day 1999, p. 6)
- Simply put, strategy means a plan to achieve selected goals by organizing resources in changing business environment. The purpose of strategy is to achieve competitive advantage in the market. The longer the advantage sustains, the better it is for the company. Strategy is a conscious choice by top management of how the company will operate in the future (Puolamäki & Ruusunen 2009, pp. 16-17).
- Strategy means purposeful selection of different activities, which aim is to offer a unique value mixture (Magretta 2012, p. 95).
- According to Lafley & Martin; “Strategy is an integrated set of choices that uniquely positions the firm in its industry so as to create sustainable advantage and superior relative to the competition”. (Lafley & Martin 2013, p. 3)
- According to Rumelt “A good strategy recognizes the nature of the challenge and offers a way of surmounting it”. Strategy bases on critical factors discovered in situation and it is the coordinated and focused actions to handle those. (Rumelt 2013, pp. 2-3).
- By the means of strategy, companies manage internal and external resources and interaction between those in a way that selected target in profitability, continuity and development can be achieved (Kamensky 2015. p. 23).

To learn what strategy really is, I prefer to read what Rumelt writes about it. He has divided strategy in key structural elements and additionally he shows how those elements should work together. The difference to other authors is that his model seems to be universal, independent of a particular context. Due to this, Rumelt’s lessons on strategy are examined more deeply in this thesis.

2.2 Levels of strategic management

Mika Kamensky has divided strategic management in different development phases. He highlights that instars do not rule out each other, rather these can be seen as a continuum of evolution in the area of business strategy management. (Kamensky 2015, p. 24). The following figure presents how Kamensky sees the evolution in the area of strategic management.

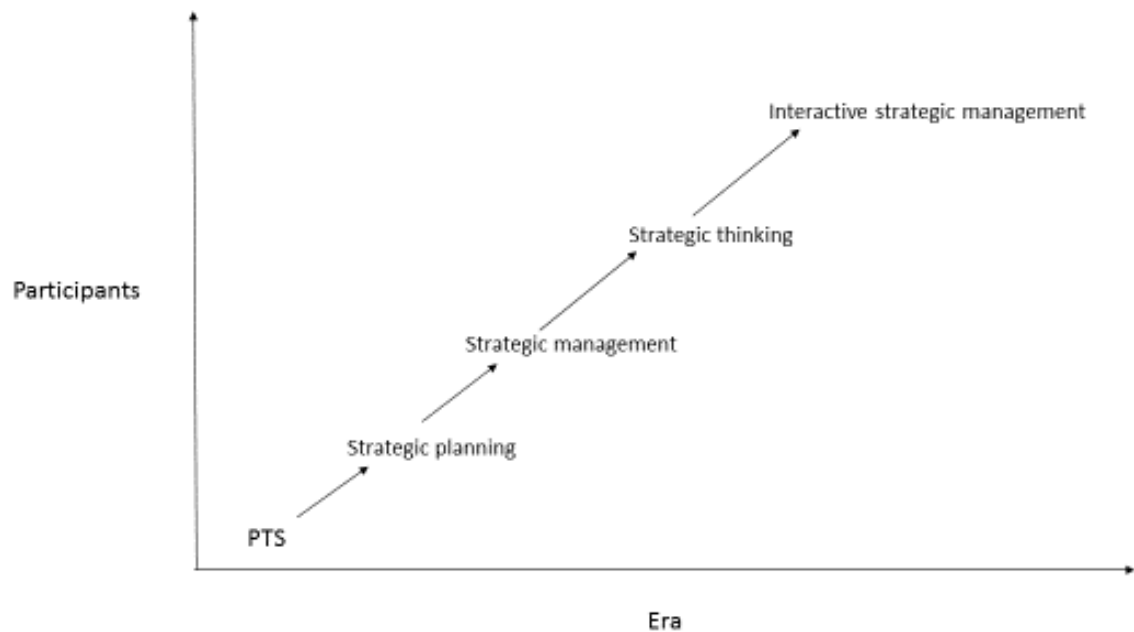


Figure 1. Development phases of strategic management. After Kamensky (2015, p. 24)

The first level, PTS, refers mainly to financial planning including long term budgets. The second level, strategic planning, in turn focuses on business planning. This still might lead to weak implementation or renewal if the organisation lacks ability or will to understand, assimilate and apply strategy in practice. In worst case, these plans do not even include real strategy, but they are focused on goals in lieu of means. Good strategies means real actions in practise. (Kamensky 2015, p. 25). The third level, strategic management, is big step from strategic planning. This means that organisation selects consciously or subconsciously strategies to be one of their key factors for success. This model gives better possibilities to execute the selected strategy. Focus should be in ensuring that the organisation does right things now and in the future. What this requires is creativity, visionary, disputing, investigation of new things, experimentation, differentiation and new means. (Kamensky 2015, p. 26).

The fourth level, strategic thinking, is where the whole organisation, including management and staff, assimilates the central role of strategic thinking and know-how in strategic working. In that case organisation's conditions get better for renewing strategies sufficiently in time. This leads to stronger capabilities for organisations to

sustain success longer. But here vigilance is needed, because too strong emphasis in strategic thinking and knowhow might also rebound. A possible consequence is that people might get too addicted to strategy working, make it more complicated and simultaneously start avoiding practical work. (Kamensky 2015, p. 26). The last level is the interactive strategic management. Here top management should be aware that too strong strategic thinking and know-how can lead to harmful self-sufficiency and management can come too introverted. Organisations must take care of effective interaction both inside and outside the company. (Kamensky 2015, p. 26).

The value of Kamensky's model is that it allows one to find out the optimal state for strategic management. Companies' target should be to find a state in which their strategic and operational work are in balanced integration, which leads to best results for the company both short and long term.

2.3 Strategic thinking

Main focus in strategic thinking and management should be in focusing on the right things in current situation and in the future. Strategic thinking is not the same as managing operations, where focus is on doing things right currently and where also the time span is much shorter. Strategic thinking requires creativity, visions and disputing, exploring new opportunities, experiments, differentiating and making new ways. Additionally, observing things from "a helicopter perspective" is crucial. (Kamensky 2015, p. 60). Helicopter perspective is under examination in chapter 4.5. Nevertheless, it is important to remember that strategy and leading should be kept as simple as possible in order to assure successful implementation (Kamensky 2015, p. 26). Finding the key factors in target context, in other words strategic leverages, where to focus on makes this much more efficient and easier. Due to this, finding these leverages in different contexts should always be the target in strategy creation. Later chapters 6.2 and 6.3 examine leverages more deeply.

Good analysis requires right persons as well as being honest and objective in analyzing. Analytic thinking and synthesis are the cornerstones in every process of planning and creation of strategy. Making analysis requires strategy makers to break existing constitutions to smaller portions. Here existing information will be analysed, broken down, edited and combined by using different kinds of criteria and perspectives (qualitative or quantitative). After this phase comes synthesis, where a new picture is created by combining relevant pieces of specified information. (Kamensky 2015, p. 50). The following figure 2, whose original creator is Kenichi Ohmae, clarifies well the process of strategic thinking.

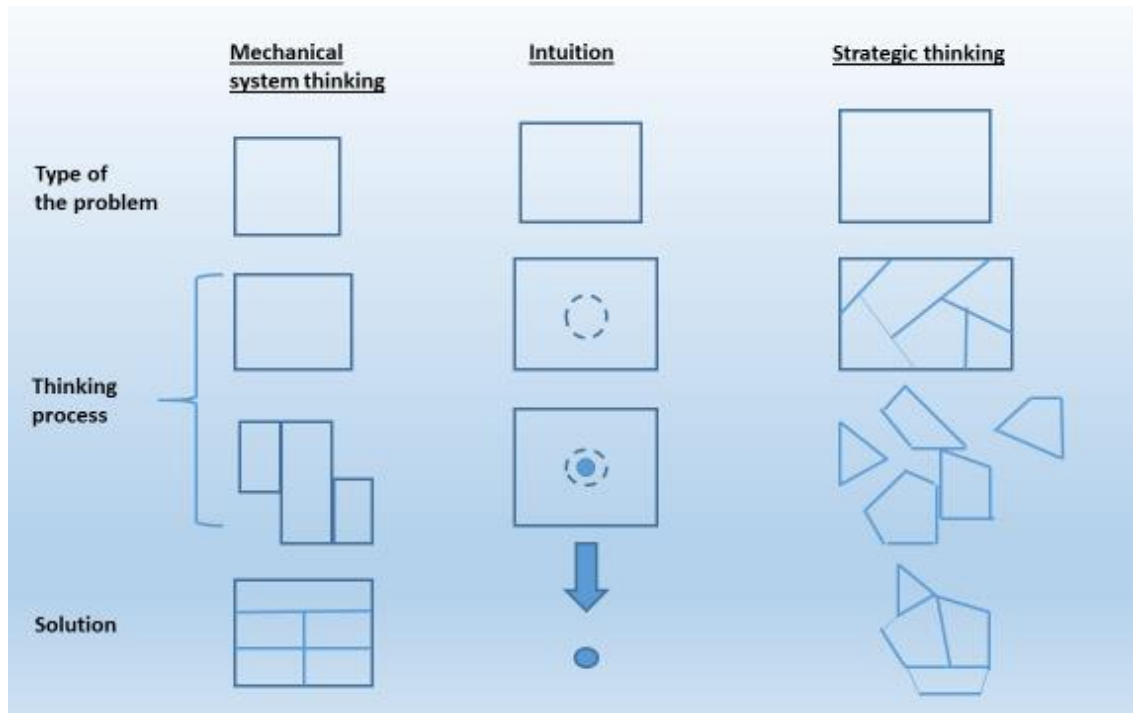


Figure 2. Three kind of thinking process. According to Kenichi Ohmae (1991)

Figure 2 presents three different types of thinking processes. The biggest difference between mechanical, intuitional and strategic thinking is that strategic thinking requires identification and separation of critical elements in the target context. After identification has been done, the aim is to create a new effective solution by reconstructing the key elements in the most efficient way. If these critical elements are not identified accurately, the created solution will be inefficient to address the problem. (Jagdev et al. 2004, pp. 19-20)

Additionally, strategic thinking requires understanding about what kind of information should be focused on. The amount of available information nowadays is gigantic and growing constantly. Losing ability to think in a way that a strategist should, meaning understanding the key factors in target context, could get lost in the acquisition of valuable information. This can cause drowning to confusion in the sea of endless information. Due to this, managing information and knowledge is important. Igor Hawryszkiewicz gives advice for managing knowledge and some of it fits well to this context. He advises to define what kind of knowledge should be captured and after this to filtrate or remove all irrelevant or unnecessary information (Hawryszkiewicz 2010, p.82) This emphasizes the importance of clarifying the concept of finding the solution and create strategy. The saying “It’s easy, when you know how to do it” also gives the right to claim that “It’s is easier, when you know where to focus”. This saying does not mean, that concentrating in right things is always easy - it is sure not - but it is the key.

Further in the study it is recommendable to compare figure 2 for example to chapters 6.2 (Identify obstacles and leverages to overcome those), 6.3 (Reallocate resources and

actions to leverages), 6.4 (Focus on two-way value creation), 6.5 (Use strategy canvas as a strategic tool), 6.6 (The four actions framework) to see their strong connection to the strategic thinking process. In every context what these chapters are focused, “the big picture” is divided in different elements and then rebuild just by those few elements, which together have the greatest impact on reaching predefined target state.

2.4 The Change

Change means that organization will discontinue of doing something existing heretofore and starts making things in a new way (Ylikoski & Ylikoski 2009, p. 11). This is very easy to understand when reading, but the reality with execution of strategic change is far different. And, the more this change will affect to individuals and their working, the more difficult it will be for them to understand and especially accept it as following chapters will show.

3. ALIGNING COMPANY STRATEGY

3.1 Top management calls for strategic skills

Company's CEO and Chairman of the board play the key roles in the strategic management process. Chairman of the board has the key role in defining and sustaining strategic direction inside the company, while CEO's role is additionally visible outside the organization. However, it is not sufficient that only the chairman of the board and the CEO are responsible for strategic management. Instead, the whole top management should be involved. (Puolamäki & Ruusunen 2009, p. 17).

Even this collective participation of top management team cannot guarantee good strategic management. The key factor is the participant's capability and willingness to think and act as a great strategist. Top managers might be very good in operational areas with proven track records, but there is no guarantee on their strategic capabilities and willingness to contribute things, which demand changes from current operational state. As we will see in later chapters, top managers' low willingness to change is likely to greatly damage the essential change process. They might easily turn into strong barriers for new opportunities.

3.2 Participation and formality in strategy creation

One challenge in the strategy process is to find solutions how to achieve rational and determined strategy process without chackling individuals' creativity. (Puolamäki 2007, p. 26). This aspect should be considered in all organizations and its importance rises during change programs. Organizations should analyze their own strategy process models in the light of participation and agility. The importance of these aspects in effective change management will be revealed in many chapters. Both, Mintzberg and Puolamäki have paid attention to the strategy process itself as well as the people involved in it.

According to Puolamäki there are two extremes in strategy process execution, which have both good and bad sides. In the first the planning and execution of the strategy are completely separated and executives create the plans with consultants without employee participation. Employees' responsibility here is only to execute these given plans. In the second and completely opposite model, the strategy process has a very wide participation and simultaneously the interactions among participants are very strong. Here the outcome also is not given, but it continuously develops during this process. This kind of strategy process has many good implications for the company. First, this creative, but yet systematic process spreads strategic thinking wider inside the company. It is not

any more top management or only part of it who are really able to think their company's business in a strategic way. Instead, now also employees start to understand this and they can find a common language inside the company concerning business in broad-minded way. Additionally, this increases significantly learning among participants, and it develops company culture. (Puolamäki 2007, pp. 32-33). Comparing this model to figure 1 in chapter 2.2 (Levels of strategic management), we can see that this leads the organization toward the level of strategic management, what is also desirable according to Kamensky, because it contributes to organization's capabilities to react to changing environment (Kamensky 2015, p. 26). Puolamäki pays attention to formality in strategy process. He considers the so called The cyclic strategic planning process presented in following figure 3 unpractical.

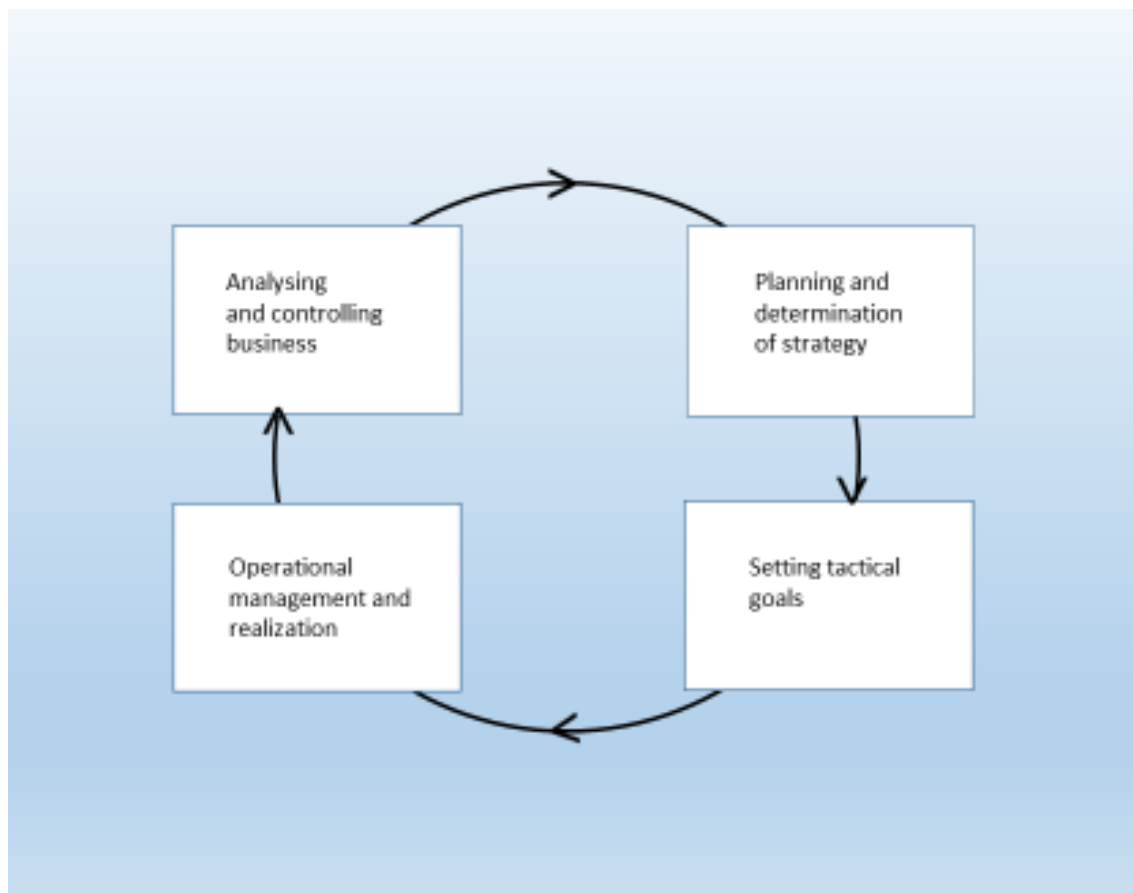


Figure 3. The cyclic strategic planning. According to Puolamäki (2007, p. 32)

This kind of “traditional” annual strategy process leads to rigidity and it discourages innovative action and chasing for growth. More probably it will lead to prolonged process as well as to key individuals' frustration. This makes the company very rigid to react to changes in business environment, leading to weaker capability to survive competition in the future. (Puolamäki 2007, pp. 32-33).

Mintzberg's fallacies of strategic planning also disclose impracticability with this cyclic model and abstracting strategy creation from execution. Mintzberg has defined three different fallacies in strategic planning related to prediction, detachment and formalization. With the fallacy of prediction he reminds that making accurate forecasting of discontinuities is impossible. Environmental circumstances are exposed to change all the time and due to that, flexibility with plans are always needed. With the fallacy of detachment he refers to strategy creation, which is abstracted of daily details. According to him, strategists should participate with strong emphasis to daily actions to find vital pieces of information for strategy creation. With the fallacy of formalization he argues that formalized processes is not the way to internalize, comprehend and synthesize information and additionally those are not able to forecast discontinuities. (Mintzberg 1994)

If organizations identify their strategy processes as rigid and periodic, they should start immediately to transform their processes to more agile. This improves organizations' capabilities to take the advantage from the changing environment faster. In many chapters is notable, how important wider involvement in strategy creation is for the whole company.

3.3 Incremental vs radical business strategies

As mentioned before, business is in continuous change. Some business models might exist longer, but today it seems that companies need to be able to regenerate their products and services in shorter and shorter time spans. Sooner or later every company will face growing competition in their business, even if they have managed to control some market for years with their excellent product and service solutions. These markets start to become so called red oceans, where competition gets harder and harder. There will be other companies, who also want to join these markets or there might even rise new business model, which changes the whole game by making old products, service solutions or even the business model obsolete. This continual movement in business life calls for mastering both the red oceans strategies as well as create new blue oceans strategies. (Kim & Mauborgne 2015, pp. ix-5).

Kim and Mauborgne understands the red ocean strategies as a head to head competition, which creates some level of advantage for companies in their competitive state. Even though the red oceans are crucial for company's continual ability to stay alive and even grow in some time period in their markets, these strategies do not offer possibilities to eliminate the competition. Neither are they the strategies to conquer new significant markets with fast and profitable revenue growth. (Kim & Mauborgne 2015). Red ocean strategies could be identified as continual movements of human hands and legs while swimming in the ocean. They are crucial to keep you head above the surface and to enable your journey until you drown or find some nice little isles, from time to time, to have breaks. Here, the human body represents the whole corporation.

Blue ocean strategies or thinking are the disrupting ones, which enables to eliminate the current competition and to conquer new fast growing and profitable markets. (Kim & Mauborgne 2015). Of course, being microscopic, there is always some level of competition in every business (Magretta 2012, p.31). However, being too microscopic is not the rational way to understand the blue oceans. The key is to understand that the blue ocean strategies are unique and highly productive, comparing to red ocean strategies. The blue ocean is something very different than benchmarking rivals in order to stay in the competition or improve products or services. Instead, those change the whole nature of the current state of specific context. Blue ocean thinking helps individuals and groups to create significant impacts and overcome large obstacles, what they are facing in different circumstances during their life time. In other words, these kind of strategies can be used in every circumstances. (Kim & Mauborgne 2015). Due to this, when board of directors with top management have decided to change their business or part of it, the blue ocean thinking should be utilized. In fact, these kind of strategies should be under elaboration every time the target is to create something significant and innovative.

Blue ocean strategies is the excellent example of strategic thinking, the way it works and the results it should create, as presented in the figure 2 in chapter 2.3 (Strategic thinking). There is two real-life business cases in chapter 6.5 (Use strategy canvas as a strategic tool), which helps to understand this concept more deeply in practice. What is more, there is similar doctrine between the blue ocean strategy and Porter's prescription: do not aim to best, aim to uniqueness with your value offering (Magretta 2012, p.17). Blue ocean's key message actualizes well known Chinese warlord's opinion: the most important strategic skill is the ability to avoid the war (Kamensky 2014, p.16).

3.4 Advices for searching blue oceans

The preventing force against the blue ocean creation is the shared conventional wisdom about the roles how to compete in existing markets among companies. Without capability and willingness to examine things from the new different perspective, there is no space for creating blue oceans. Without new perspective, companies will be locked by the rail, which leads their business sooner or later to the red ocean competition, where profits decreases and possibilities for profitable growth gets more incremental. (Kim & Mauborgne 2015, p. 50). In other words, trying to be unique with the value mix will be much harder. In the following figure is presented the key advices, how companies can change their perspective to break out from the existing competition and try to create blue oceans.

From head-to-head competition to blue ocean creation		
	Head-to-head competition	Blue ocean creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategic group	Focuses on competitive position with strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of product or service offering	Focuses on maximizing the value of product and service offerings within the bonds of its industry	Looks across to complementary product and service offering
Functional-emotional orientation	Focuses on improving price performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

Figure 4. From head-to-head competition to blue ocean creation. According to Kim & Mauborge (2015, p. 81)

If the board of directors and top management have decided that company should be innovative and create something unique value for buyers, these advices for finding the blue oceans should be under examination. Managers, strategists and professional advisors should utilize these advices and be careful not to fall into the red ocean thinking. They should be challenged to be open for the blue ocean thinking instead of focusing to the current head-to-head competition. Just being open for the blue ocean thinking is not much worth if they still do not try to change their strategies by these advices. Real actions are the key, they show what one believes and values. Kotter's advice to lead with your example hits the nail on the head. Otherwise there will not be change (Kotter 2012, p.10).

4. FINDING CHARACTERISTICS OF STRATEGY MAKING

4.1 Strategic agility

As mentioned earlier, being the winner in the business today and in the future also demands companies to regenerate their strategic capabilities from rigidity to agility. As Doz & Kosonen says in their book *Fast Strategy*, there is growing demand for organizations to learn “The fast strategy game”. What they try to teach is, the top management needs to understand that thinking and formal processes focusing on the strategy must be ongoing and high-class, instead of making in predefined periods long sustained strategic plans and then counting on its exceptionality. The top management and especially CEO must simultaneously take care of organization’s alertness to emerging trends, forces and shifts in the market as well as their capability to react to those quickly and effectively, before rivals. (Doz & Kosonen 2008, p. x-xi). To become more agile organizations should pay strong attention to become fluid with reallocation of people, attention and funds (Sull & Homkes 2015, p. 62).

According to Doz & Kosonen, companies which are strategically agile can make fast moves to transform themselves to take the advantage from raising opportunities without losing the momentum. In agile companies the top management is continuously working hard to find new opportunities and develop plans how their company could take those as advantage. In these companies, changes and disruptions in the markets are seen as big opportunities for business. (Doz & Kosonen. 2008). In other words, the attitudes towards the change are positive and expecting instead of passive and opposing.

The cornerstone for strategic agility is the capability to think and act differently. (Doz & Kosonen 2008, p. 6) Examined more closely, it means every individuals’, including the board of directors’, top management’s, professionals’ and employees’, capability to take part of the business development with fresh thinking instead of being defender of the current state. This seems to evidence that becoming agile demands blue ocean thinking. As one can notice, the development stems fundamentally from ourselves. So, the questions for everyone are following. Are we ready to see things from new innovative perspectives without restrictions of our own history and the current state? Are we challenging ourselves to move out from our current comfort zone as well as act and think in a way, which contributes company’s success in the future? Do we allow individuals to present their ideas in supporting circumstances?

It is important, that reader by him- or herself pays attention to why the second question was written “in future” instead of “at this moment”. When people are working hard to take care of their current responsibilities, they still need try to peek into the future simultaneously. Otherwise they get used to suppress their mental innovativeness and leave no space for personal growth. At the same time they undermine organization’s overall capability to be agile for the development and opportunities.

However, watching to the future is worth of nothing without understanding the big picture of the current state. Willingness is needed to change personal attitude and thinking in a way, which contributes strongly the change from the current state. Understanding the big picture from the current state is the key. The big picture as a term is under examination in chapters 4.5 (The helicopter perspective) and 6.5 (Use strategy canvas as a strategic tool). Also chapter 6.1 (Key structural elements of good strategy) clarifies well, why analyzing and understanding the current state is precondition to start the journey toward something new.

4.2 Preventing forces toward strategic agility

Being successful in longer period has impact to company’s strategic flexibility. This success can blind the management’s eyes from seeing the silent signs and changes in the markets and declines the capability of the strategic renewal. This applies to individuals, teams as well as to corporations with their management. (Doz & Kosonen 2008, p.6). The biggest damage will happen naturally if blindness considers the top management and board, because responsibility for guiding the corporation is their remit as it was discussed in chapter 3.1 (Top management calls for strategic skills).

According to Doz & Kosonen, focusing too much to the efficiency might have a back side, losing the flexibility and the adaptability (Doz & Kosonen 2008, p. 6). Still efficiency is very important in business, so efficiency and flexibility should not exclude one another. Chapter 6.3 (Reallocate resources and actions to leverages) ad hoc points the importance of being efficient with resource allocations, when executing changes. The questions is, how the top management can harness these both efficiently to ensure success in the future. Below are presented preventing forces against strategic agility.

- Associating only with narrow range of contacts, when trying to gain strategic insights. Leaving out persons who do not resemble (Ylikoski & Ylikoski 2009, p.21).
- Senior executives becoming isolated, because of their power, status, fear and busyness. This stands on the way of genuine and open minded brainstorming without own interests. (Ylikoski & Ylikoski 2009, p.21).

- Searching information, making sense and trying to get insights only where it is going to be easy. Staying in the comfort zone. (Ylikoski & Ylikoski 2009, p. 21).
- Inability or reluctance to quickly redeploy resources to new strategic opportunities. (Doz & Kosonen 2008, p. 29).
- Keeping the same top team in charge for long time will lead to homogenous understanding and experiences among members. It will decrease the capability to create new ways of doing things and weaken the overall quality of dialogue. (Doz & Kosonen 2008, pp. 224-225).
- The top management team with strong self-confidence and high action orientation might be a negative force, when thorough analysis and dialogues are required with new issues. They may lack the patience needed to perceive the problem and its complexity and, additionally, they might bypass the collective decision-making. (Doz & Kosonen 2008, p. 225).

These preventing forces do not leave any excuses for the top management and board of directors. The responsibility to look after organization's capability to renew itself in time and taking advantage from rising opportunities is one of their most important duties.

4.3 Trapped resources in unproductive use

According to Sull and Homke's wide research resources, including people and funds, are often trapped in unproductive use by preventing agile reactions to strategic priorities. As a consequence, organizations' ability to make quick, effective and adequate reallocations with tangible and intangible resources towards rising opportunities are weak. According to Sull and Homke, only the fifth of managers participating their research were satisfied with their organization's actions in shifting people across units, when strategic priorities called for that. (Sull & Homkes 2015, p. 62) This describes well how significant problem this seems to be in reality.

Additionally, another significant weakness in organizations is the inability to disinvest rapidly declining businesses as well as unsuccessful initiatives. This imprisons valuable resources and talented people in unproductive actions and additionally damages managers' mental well-being the more the longer they are trying to save these fruitless ideas. For the time being, this will also damage managers' confidence and this leads to weaker support by their executives in future's executions. (Sull & Homkes 2015, p. 62)

4.4 Road to the strategic agility

As mentioned earlier, only way to achieve strategic agility is to learn to think and act differently (Ylikoski & Ylikoski 2009, p. 4). Before concentrating on the implementation of the new business strategy in later sections, one needs to understand more deeply, how the company can become more agile in the strategic level. Information about the factors, which contributes strategic agility instead of preventing it is needed. One cannot create and execute innovative changes without creation of nutrient ground for those, as later chapters 5.1 (Aligned top management team with trust) – 5.3 (Leverage angels and silence devils) will show. This is the reason why the first step on the road towards the strategic agility is to start creating platform for great agility inside whole company. Next are presented contributing forces towards strategic agility.

- Create strong active internal dialogues around key strategic commitments. (Doz & Kosonen 2008, p. 28).
- Participate individuals from different expertise, age, gender and professional background for structured and purposeful dialogues. (Ylikoski & Ylikoski 2009, p. 23).
- Encourage participants to share their assumptions including explanations of the logic of their thoughts. (Ylikoski & Ylikoski 2009, p. 21).
- Examine divergent views, do not let them be suppressed. Different views might have very valuable perspectives and insights. (Ylikoski & Ylikoski 2009, p. 23).
- Help participants to take some distant to see their organization and business from the helicopter perspective. Help them out from their caves. (Ylikoski & Ylikoski 2009, p. 23).
- Redeploy adequate resources quickly, when new strategic opportunities arises. Take care of that formal management processes, for example budgeting and planning, do not eliminate company's capability for quick adjustment and change. (Doz & Kosonen 2008, p. 30).
- Renew the top management team adequately, when the existing business needs a significant change. Change the constitution of the top management team by once to create strong impact as well as to offer a great power for the change. (Kotter 2012)

4.5 The helicopter perspective

When the company, at least in the top management level, succeeds to develop their individual as well as common strategic thinking and procedures towards agility, their capability to see the business in the big picture improves. Advices given in figure 4 with chapter 3.4 (Advices for searching blue oceans) are excellent means to become able to see big picture.

Seeing things from the big picture is important capability and every manager in top level should have it. Even better it would be, if managers in lower hierarchical levels, people involved in development as well as the rest of the employees could also have this same ability. When members in organization start to see things from helicopter perspective, they get better insight of company's overall business as well as the purpose of their own working. This clarifies their own role in the business and helps to understand, how they could develop things to contribute company's advantage. This creates very good ground for the change. When the top management and board of directors try to create positive commitment to the significant change among personnel, making current situation visual in a big picture should be good tool for that. They should not show only current economic numbers to make people committed to the change. To be wiser and more efficient in this target, the management should make everyone able to see, which are the leverage reasons led to this current situation and why significant change will make the future more positive and hopeful for everyone. Usefulness of the big picture gets more enlightenment in chapter 7 (Making good strategy work).

5. GOOD STRATEGY MAKING

One of the cornerstones for successful change execution, whatever the target is, is excellent strategy and aligned team in the top management. Without clear and coherent strategy, actions will lead more or less to the failure and waste of resources (Rumelt 2013). Richard Rumelt has been researching quality of strategies and he has written a book about good and bad strategies. The book clarifies features of both good and bad strategies and offers good universal guidance, how individuals and teams can assure, that their strategy really are intelligent enough to improve the prospects to lead into successful results.

In following chapters is presented essential information what corporations, teams and individuals needs to take into account, when creating and executing significant strategies.

5.1 Aligned top management team with trust

There are different damaging and preventing forces against successful strategy creation and execution. Before starting the creation of special business strategies, the ground for creativity needs to be pure and nutritious in the top management level (Kim & Mauborgne 2015, pg. 165-166). Next are presented important factors, which will have significant impacts to the quality of strategy creation and execution. One of the key factors is the top team itself, and the trust what CEO have with the top management members (Tichy & Bennis 2009, p.102). As highlighted in Arnold's research, the most significant factor for effective change is strong leadership (Arnold 2015).

According to Tichy & Bennis, CEO needs to take care of choosing right leaders to his/her top management team. Every leader needs to be able to offer something special knowledge or capability, what CEO needs to make good calls, but still the most important factor is the trust between CEO and chosen leaders in top management team. Lack of trust between CEO and his/her top team members will have devastating impacts sooner or later. If politics of one or more top management leaders undermine what is good for the corporation, creation of good strategy gets complicated. Simultaneously CEO loses the control and his/her ability to lead the company to the target state will weaken. These are the main reasons, why choosing wrong members to the top team, even the ones with high capabilities and knowledge, will cost a lot for CEO and the whole corporation. Taking care of choosing right persons to the top management team should be CEO's the first phase before strategy creation and execution to secure high cohesiveness, alignment and trust. According to Tichy & Bennis, it might be the biggest

judgement what every leader makes, when they decide by who they surround themselves and who are they councils. (Tichy & Bennis 2009, p. 102, 212)

5.2 Judge top management team members

As it was written in previous chapter, the members of the top team have significant influence to the quality of strategy creation and execution. It was also told, that it is CEO's duty to choose these members to his/her top management team. The question is what should and can a CEO do to carry his/her overall responsibility, when choosing members to the top management team? Answer is to make accurate judgements about every person, who CEO might assign to the top management team. CEO should be concentrated to persons' capability to exercise good judgements and simultaneously create positive influences on the top team (Tichy & Bennis 2009, p. 322). In the following figure is presented different aspects, what CEO needs to consider, when choosing people to his/her team.

MAKING JUDGEMENTS ABOUT TEAM MEMBERS

<ul style="list-style-type: none"> • Can I trust to this person? • Does this person play straight with me and others? • What are his/her motivations? • What is the character and inner being of this person? • What are his/her strenghts? • Is my team able to do better judgements if this person belongs to my team? • Is this person able to offer good advices? • Does this person have some needed skills, what others in the team don't have? • Does this person look things from different perspectives, than others in my team? • Does this person have some special relationships, which helps creation of good judgement calls? 	<ul style="list-style-type: none"> • Does this person have a deep domain expertise? • Does this person have a deep industry knowledge? • Does this person have good organizational knowledge? • Does this person have some special information or relationships with key constituents for business? • Does this person have some special acces to information? • Does this person have some vital external experiences? • Is this a person, who makes unconventional problem solving?
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Figure 5. Making judgements about team members. (Tichy & Bennis 2009, pp. 321-323)

Questions presented in figure above helps CEO in his/her attempts to create efficient top management team. But, this list do not include all important aspects as one will see later in chapters, at least when CEO's duty is to create a powerful guiding coalition. All these

advices matter and CEO needs to create best combination for context the company will operate currently and in future.

5.3 Leverage angels and silence devils

When the company is facing need for bigger change, it is very likely that there will occur powerful resistance against it. When the change starts to look more and more inevitable in the organization, the more fiercely and vocally internal and external resisting individuals will fight against that change just for keeping their own positions. The higher is the hierarchical position of these negative influencers, the more damage they will cause for new strategy creation and execution. To eliminate these damaging forces, CEO needs to be able to do hard decisions concerning members in his/her top management team. According to Kim and Mauborgne, CEO needs to leverage “angels”, silence “devils” and get “a consigliere” on top management team. (Kim & Mauborgne 2015. pp. 165-166)

What Kim and Mauborgne means with angels and demons in this concept, is that those powerful individuals in the organization will have most significant gains or lost caused by inevitable strategic change. Demons means those powerful individuals in the organization who will have most to lose, and angels are the ones, who will gain most from the change. By “consigliere” Kim and Mauborgne means a special insider, who is highly respected in the organization and adept politically. Consigliere is also the one who knows the change supporting individuals in the organization, as well as fighting ones, and is able to advice CEO to avoid obvious land mines in strategy implementation. (Kim & Mauborgne 2015. p. 166)

Again one can see, that CEO just taking care of the top management member’s ability to offer some special knowledge or know-how for making good judgement calls is not enough. CEO needs to also understand the effects, what the strategic change might cause in individuals attitudes to prevent damaging influences in strategy creation and execution. As mentioned before, trust among top managers and CEO is the cornerstone.

6. CREATING POWERFUL STRATEGIES

When CEO has managed to create his/her top management team, business strategy creation process can be started. Now, CEO and all the members of top management team needs to study advices, how to create good strategies. In following chapters is presented key advices and different kind of tools, which helps to create good business strategies with scarce resources.

6.1 Key structural elements of good strategy

Richard Rumelt writes about three elements, which need to be found simultaneously in the structure of strategy to make it good. These elements are presented in the following figure.

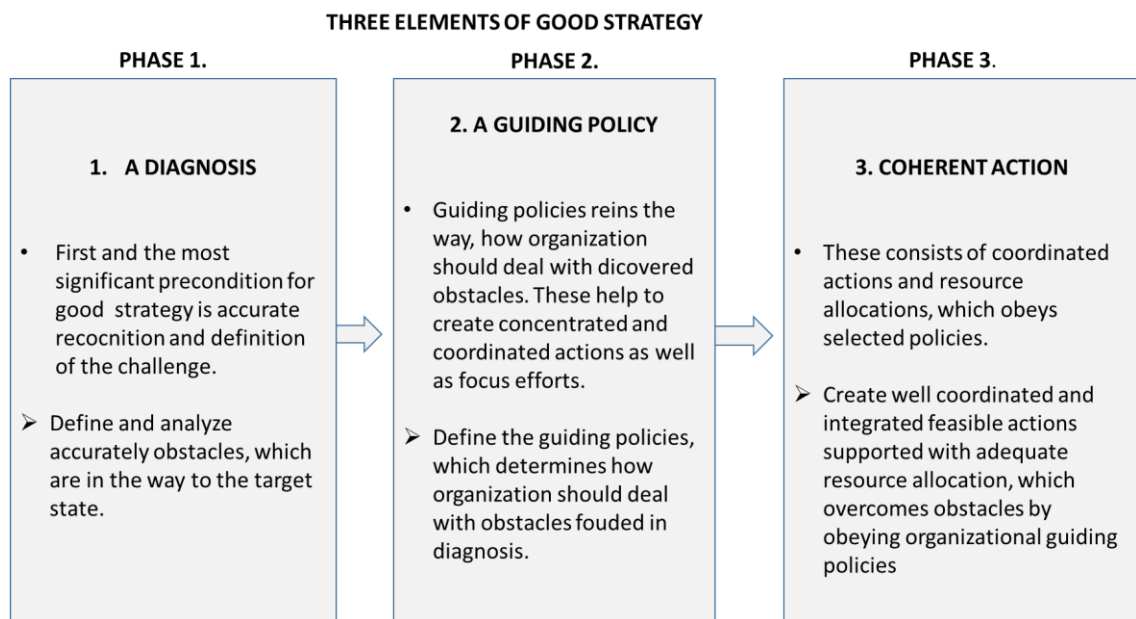


Figure 6. Three elements of good strategy. (Rumelt 2013, pp. 77-94). Visualized by author

As figure above shows, creation of a good strategy must always start with accurate diagnosis from the current situation before proceeding. The diagnose should clarify the situation and define a domain of further actions. As a result of this first phase should be accurately analyzed and defined obstacles, which lies between the current state and target state. In the second phase the management needs to decide, which are the guiding policies to offer overall approach to overcome these obstacles. These should clarify actions and focusing for last phase. Additionally, the policies should reduce the

complexity and ambiguity in the situation. Last phase is about prioritized actions and resource allocation to overcome highlighted obstacles, which were identified in phase 1. (Rumelt 2013, pp. 77-94)

6.2 Identify obstacles and leverages to overcome those

As Rumelt writes, it is crucial to find the obstacles, which are in the way from current state to target state (Rumelt 2013, pp. 77-94). Finding these obstacles helps the executives, managers and professionals to focus their attentions accurately to the key points to solve the problems. However, finding the key obstacles is just precondition for making a good strategy. It might be that the following phase needs even more intelligence and ability from managers and professionals to make good insights. The problem is now to find the key leverages, which helps corporation to overcome the obstacles in most efficient way.

There might be several solutions to overcome the obstacles, but the effectiveness of different created solutions might vary significantly. This could be metaphorize by thinking the known saying “There is many way to Rome”. There truly are many different roads and paths to Rome, but some of them are quicker and less resource consumptive to go. Instead, some of the roads and paths might look also good alternatives, as being easy and fast to go, but in reality those are much slower and heavier. Choosing mistakenly this kind of path or road, it might be possible that, in the middle of the way one might lose your motivation or energy to reach the destination. Or, if you finally manage to reach the Rome after making a long trip simultaneously losing lots of your resources and inspiration, the advantage you have chased by traveling to this destination might have disappeared. But, if you are clever enough, you might find out with accurate analyzing, that there are “vehicles”, which can take you and your troops directly to the Rome very fast and simultaneously saving lots of resources for later use in the destination. As a strategist, executive, manager or team leader, you and your team should find these kind of vehicles, the real leverages, for getting you and your team effectively to the target destination, whatever you have chosen it to be.

6.3 Reallocate resources and actions to leverages

As a continuum for previous chapter, organizations should always use their resources wisely and take continuously care of efficient use of those for company’s advantage. When corporations or organizations make bigger changes in their strategy, it is unavoidable to discontinue resource allocation in old procedure. Bigger change means also need for resource allocation in new efficient way. What management needs to do in the case of strategic change, is to investigate the effectiveness of organization’s existing resource allocation and procedures according to the new strategy execution. Resources and actions should be focused all the time to the leverages for excellent strategy execu-

tion toward new strategic state. (Kim & Mauborgne 2015). The Vehicles what were mentioned in previous chapter are just the same, what this chapter calls to the leverages and hotspots.

Kim and Mauborgne writes about “cold spots” and “hot spots” in strategy execution. By these they refer to the two dimensions of different activities, what management needs to identify before making decisions about reallocating resources. The first dimension is the input, which means the amount of resources, what are invested in specific action. The second dimension is the output, which means the magnitude of the effect this specific action causes to reach the strategic target state. Cold spots are the ones, which output is low comparing to needed input. Whereas, hot spots are the ones, which have high outputs. Management needs to investigate, which are the cold spots and the hot spots related to the new strategic state and release existing resources from these cold spots and allocate those to the hot spots. (Kim & Mauborgne 2015, p. 156)

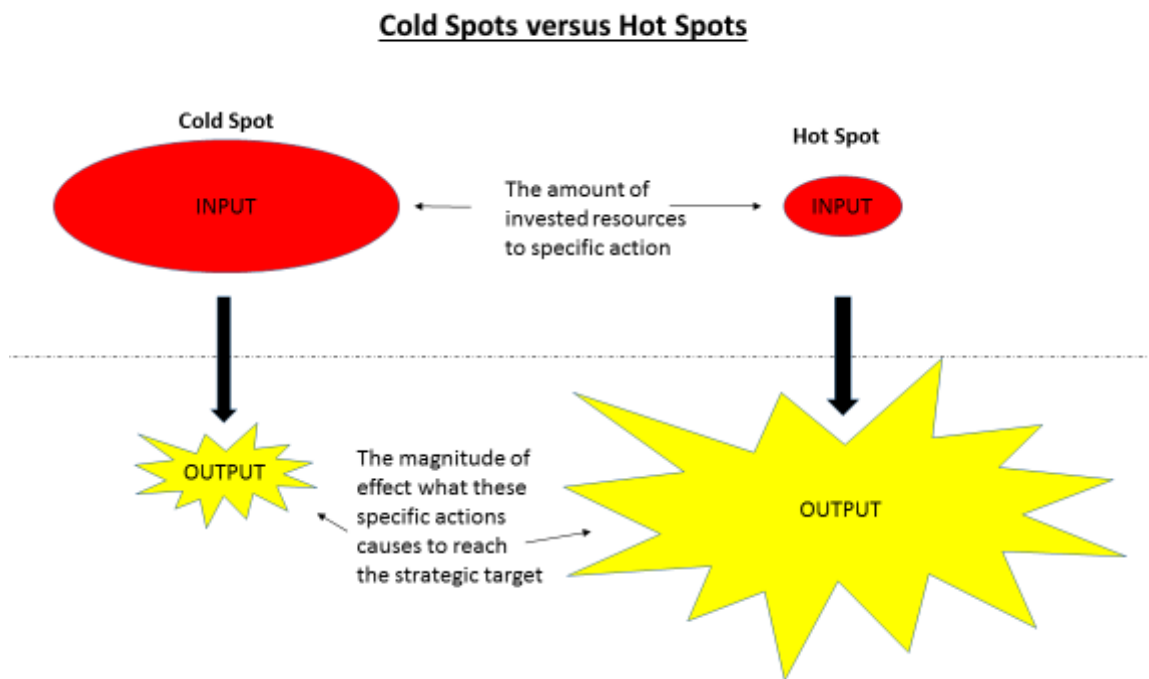


Figure 7. Cold Spots versus Hot Spots. (Kim & Mauborgne 2015, p. 156). Visualized by author.

Figure 7 tries to visualize the cold and hot spots and simultaneously demonstrate why it is crucial to identify, which actions and resource allocations belongs to these two different categories in certain contexts.

6.4 Focus on two-way value creation

The bigger leap the top management wants to make to the bloody competition, the more they need to focus on the value creation for new potential customers as well as for com-

pany itself, simultaneously. There are still many different personal barriers, which prevents managers and professionals to refresh their thinking and create something very new. These preventing forces will keep the corporation just on the road, which leads them faster to the bloody competition with their business strategy instead of making competition irrelevant. When the top management and board of directors have made decision about making big change in corporation's business model, they should first try to break their personal thinking barriers, which prevents real two-way value innovations. Otherwise they will more obviously just create some incremental innovations, what might of course be essential for staying alive, or even offer some little growth with their business in red markets, but not leading to the great advantages and uncontested market spaces. (Kim & Mauborgne. 2015) Or then they might even create new valuable innovations, but the increasing cost structure prevents the significant impacts on markets.

Kim and Mauborgne have developed great strategy tools, which helps significantly the board of directors, executives, managers and professionals to broaden their thinking of creation of the blue oceans. The tools presented, help to break preventing barriers for significant innovation and simultaneously help to allocate resources and actions to the key factors, which causes great advantage for the business. These tools are quite opposite, what traditional strategy literature seems to offer. These are the strategy canvas and the four actions framework. Before proceeding to these tools in next chapters, Value innovation model is presented to clarify, what these strategic tools helps to contest for.

Value innovation model

There are books about the value creation, even very known strategy books, which teaches that deciding your business strategy is making tradeoffs between differentiation and low cost. These lessons might be the big reason, which causes barriers to managers' and professionals' strategic thinking. The barriers lead to narrower insights and prevents partially managers' ability to create blue ocean strategies. As one will see next, Kim and Mauborgne tells about just opposite kind of strategic thinking. Value innovation model presented in the following figure shows that value innovation do not need to be tradeoffs between differentiation and low cost. Contrariwise, those should be created simultaneously to create a great advantage for both, byer and corporation.

According to Kim and Mauborgne, corporations can innovate two-way value by actions, which simultaneously decreases cost structures for the company and increases the value for customers. Increasing byers' value can be achieved by raising and creating the elements, which customers really appreciate and what the industry have not offered before. Decrease in cost structure can be achieved both by decreasing and eliminating factors, what byers do not value, as well as when economic scale kicks in. (Kim & Mauborgne 2015. p. 17)

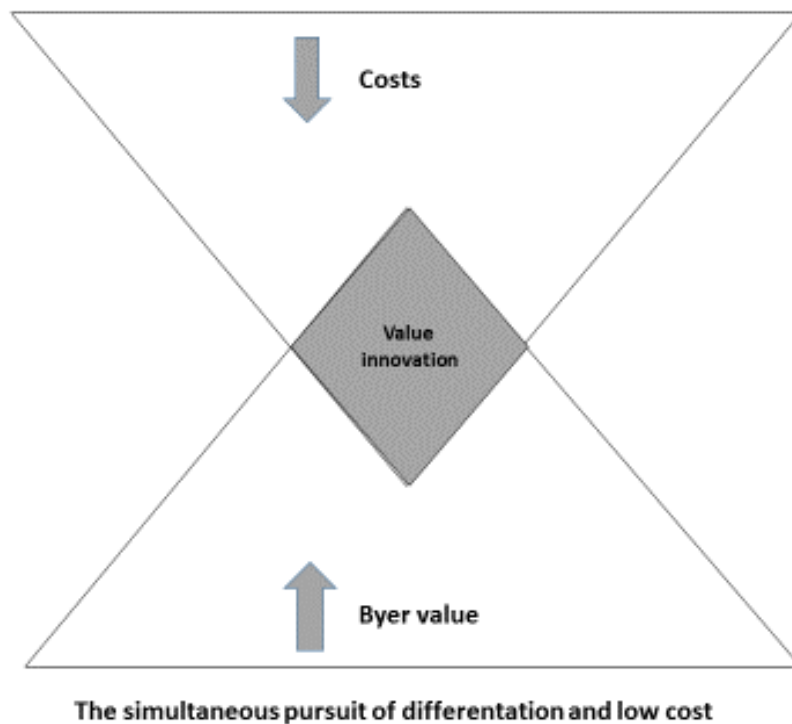


Figure 8. Value innovation. The cornerstone of blue ocean strategy. According to Kim & Mauborge (2015, p. 17)

This figure above comes more easier to understand in reality, when looking examples of two different value canvas presented in next chapter.

6.5 Use the strategy canvas as a strategic tool

The strategy canvas offers a visible framework for creating diagnoses about the current market space and simultaneously helps management to allocate organization's actions and resources to the key factors, which might lead to creation of new blue ocean. More accurately, it is tool for differentiation with the value offering in own industry and getting rid of wasting resources to cold spots in customers point of view. It is the tool which helps to develop products, services and whole business models to be unique in byers' eyes in cost efficient way. (Kim & Mauborgne. 2015).

The following two figures, which are picked up from the Kim's and Mauborgne's book Blue Ocean Strategy (2015), clarifies the design and function of the strategy canvas well. First introduced strategy canvas concentrates to the product industry (wines) and the second one to the service industry (business traveling). Third figure demonstrates part of the benefits, what could be achieved by using this tool.

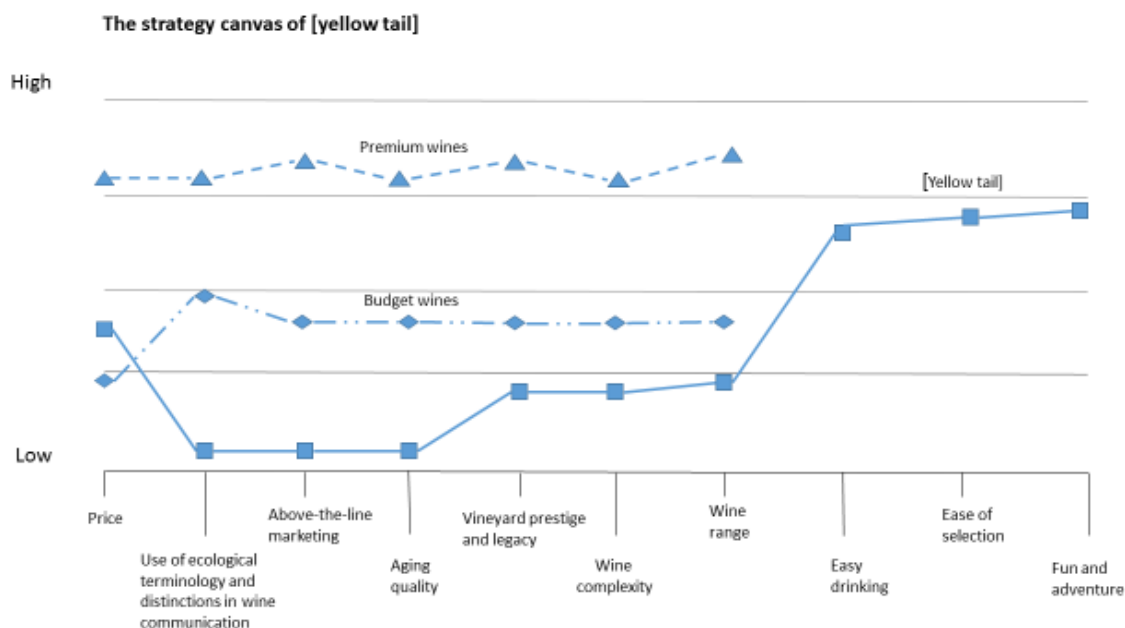


Figure 9. The strategy canvas of [yellow tail]. According to Kim & Mauborgne (2015, p. 34)

Figure above shows, how the whole wine industry has divided into two main different category, which are premium and budget wines in consumers minds. Here one can see, where these companies are investigating resources and actions with their products to make people interested to buy their offerings. It should be shocking moment for the board of directors, executives as well as managers to see, that with their existing business strategy, more accurately the value offering mix, is impossible to dissociate from the mass inside these two categories. Simultaneously, this could also indicate that companies might have similarities with cost structures inside a specific category.

According to this, it should stand to reason how hard it must be to achieve good profits and healthy business growth simultaneously in companies belonging to these main categories, because they are trapped to the red oceans. In the case of Yellow tail, situation is contrariwise. This company has created significantly different value curve from both of those two main categories. They have strongly reduced existing competition factors, which are expensive and typical for this mature industry and instead, created new elements, what consumers really value and industry have not offered before. Their value curve is unique inside the whole wine industry. Yellow tail's value curve really actualizes Michael Porters's strategy prescription, where the aim is not to compete being best, but being unique with value creation (Magretta 2012, p. 17). Being unique should be based to the value you are creating for your buyers. This also means to let other companies to compete between each others who is the best and instead of that, focus to be unique with your value offering. (Magretta 2012, p. 29). Additionally, Yellow tail's value curve also hits the nail with earlier mentioned Chinese

warlord's doctrine about critical strategic skill, where main target is to avoid the war (Kamensky 2014, p. 16).

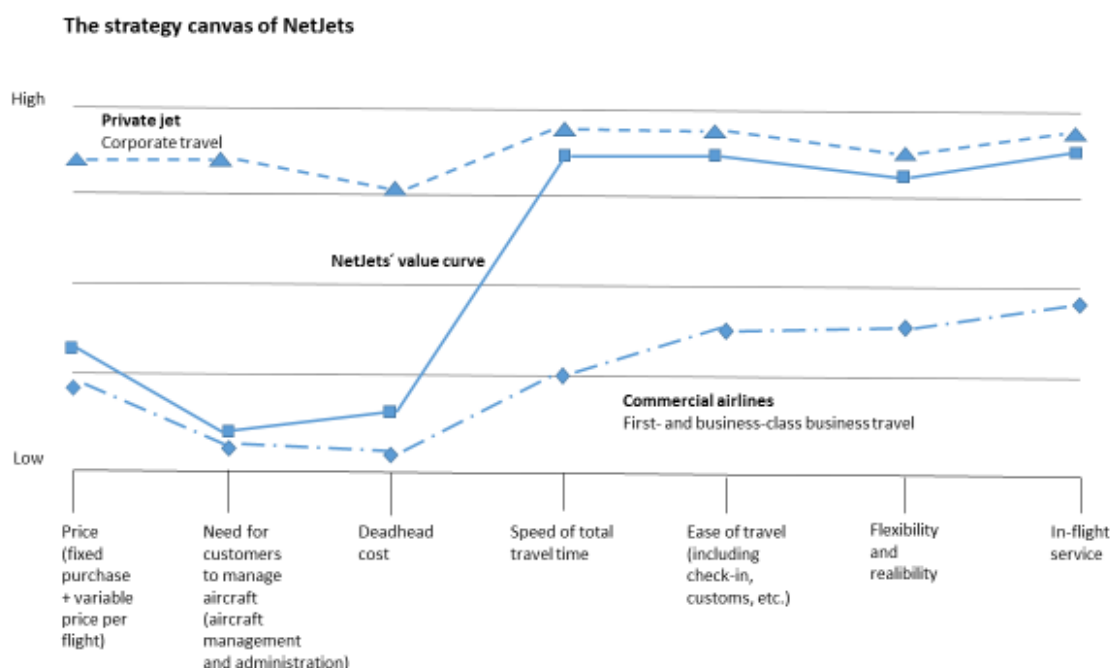


Figure 10. The strategy canvas of NetJets. According to Kim & Mauborgne (2015, p. 55)

In figure above one can see, how this specific service industry has also divided into two main category. These are the private jets and commercial airlines. Difference between competitive factors in these two categories are remarkable including the price. We can see, how NetJet has created totally different value curve from these two main categories. Observing Netjet's value curve inside their industry and comparing it to the Yellow tail's case, it is apparent that NetJet has also created partly same kind of strategic differentiation as it was with Yellow tail. NetJet has also decreased factors, which causes heavy costs without significant value creation for byers and instead, they have strenghten the factors, which really offer value for byers. This clarifies two-way value innovation, what was under examination in the previous chapter. Note that figure 10 reveals that NetJet have not created any new competitive factors for this specific servive industry, as opposed to Yellow tail. What they have done is the new kind of emphasis with existing competitive factors creating two way value, both for the company itself and customers. They have done this by offering just the elements, what byers really value and by reducing everything else.

These two figures about different strategy canvas clarifies well, what does "being unique with your value offering" in reality means. These companies are good examples about excellent value mix creation and execution inside mature market environments. The lessons here is that, the great business strategy, more accurately the value offering mix, does not need be based on something new radical technology. Instead of that, it

just needs a great insight what the mass of buyers really value and offer that to them and get rid of everything else. Technology itself should just help to offer this accurate value mix for buyers.

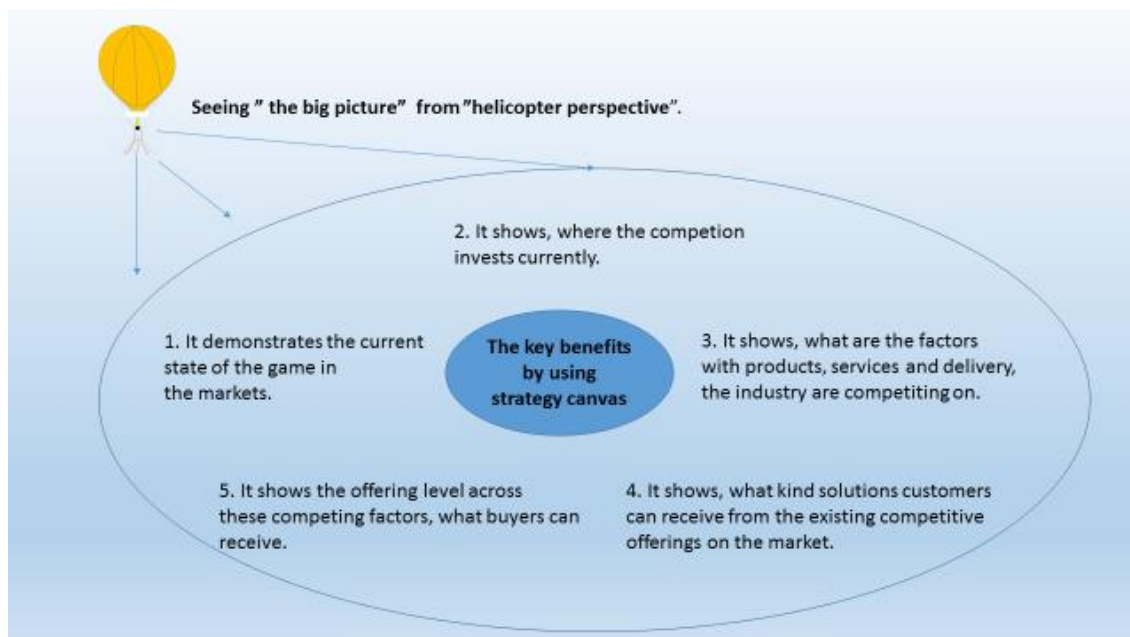


Figure 11. The key benefits by using strategy canvas. (Kim & Mauborgne 2015, pp. 27-29). Visualized by author.

The strategy canvas is a visualizing tool, which enables the board of directors, executives, managers and professionals and even employees to see the business environment from the helicopter perspective as figure above shows. As mentioned in earlier chapter 4.5 (The helicopter perspective), where the focus was on the strategic agility, understanding the big picture is necessity when creating successful strategies with great impact. Opportunity to see things from the helicopter perspective has also significant contributing impacts for successful execution of the change. More of these advantages will be manifested later in chapter 7 (Making good strategy work).

6.6 The four actions framework

Kim and Mauborgne have also created the strategic tool called The four actions framework. It should be used after the strategy canvas of current state has been created and verified from existing or potential customers. It is coherent and clear tool when target is to create products, services or even whole business models, which offers effective value mix with cost-efficiency. First, it forces the board of directors, managers and professionals to separate the competing factors of their industry's products and services to categories, which presents low, medium and high value in customers' point of view. Additionally, it also forces to create new competing factors, which creates new value for buyers and what the industry have not offered before. (Kim & Mauborgne 2015, pp.31-39).

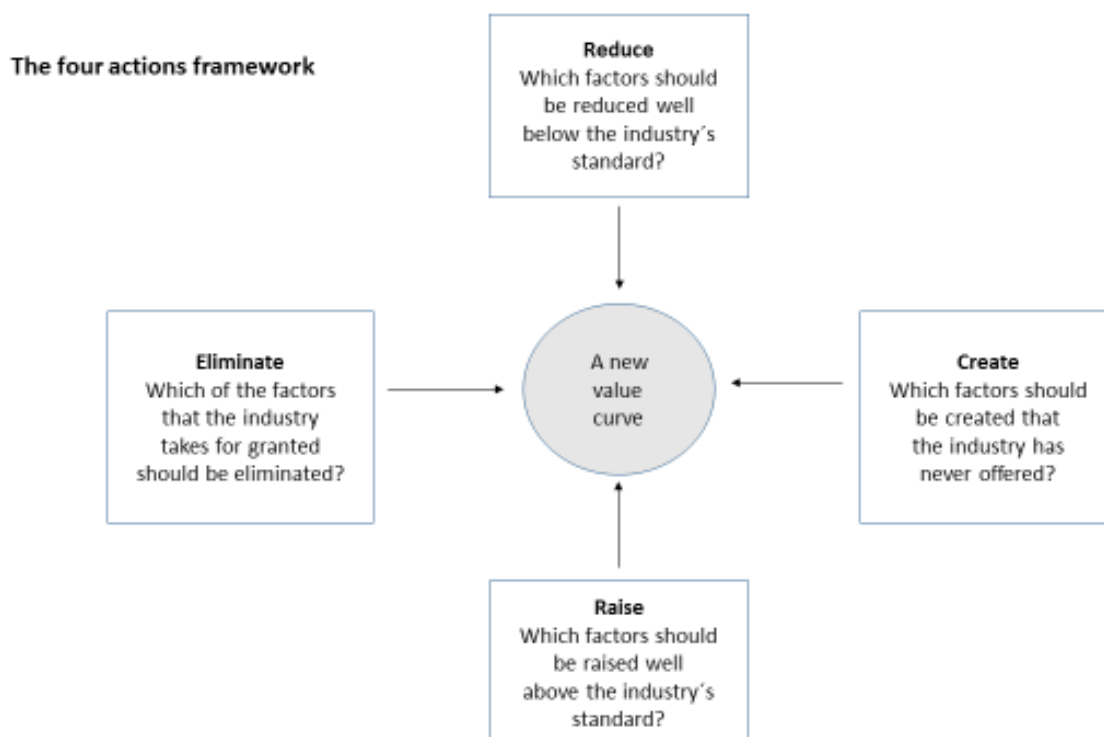


Figure 12. The four actions framework. According to Kim & Mauborgne (2015, p. 31)

Examining the figure above shows that using the four actions framework demands deep knowledge about the competing factors in the target industry as well as updated and accurate information about buyers' and nonbuyers' experiences about value creation by those factors. Additionally, the better if some new value factors for customers are identified. (Kim & Mauborgne. 2015). In other words this means, that people being part of developing products, services or business models should use strategic thinking process (see figure 2 in chapter 2.3 Strategic thinking) to create apprehension from current value offerings in their industry. If the board of directors, executives, managers and professionals do not investigate carefully buyers' and nonbuyers' point of views, their decisions are based on intuitions and assumptions, what is not advisable. As Montgomery says "Be careful with your assumptions", people involved to strategy creation should remember this advice because assumptions might have catastrophic consequences with strategies (Montgomery 2012, pp. 111-112).

After existing competing factors are separated and their value creation are verified, they should be divided consistently into the eliminate, reduce and raise categories. The factors, which offer low value creation for customers, should be placed to "the eliminate category". With same principle, factors which offer medium value for customers, should be placed to "the reduce category" and the ones with high value creation to "the raise category". There is still a category for creation of something total new with high value for buyers. This is where earlier mentioned new value elements are needed. When the

management, board of directors or professionals search buyers' and nonbuyers' point of view with value creation, they should be sensible to find out new factors, which offers new opportunities for value creation. Offering these with modified existing competing factors gives a great opportunity to create the new blue ocean for the company. (Kim & Mauborgne 2015, pp. 31-39). More accurately, these actions together enables the fresh and unique value mix offering.

The four actions framework seems a merciless tool, but it will help companies to reform their value offerings, eliminate lots of "weeds" and become unique. The common saying "Nothing good comes easily" fits this context well. Additionally, when comparing this procedure presented in figure 12 to chapter 6.3 (Reallocate resources and actions to leverages), it is clear that the both have the same message.

When examining how this tool works, we can presume, that it will cause impetuous influences inside the companies, business units or whatever the context is, where it will be used. Due to this, information presented in chapter 7 (Making good strategy work) needs to under command widely in organization. Management's and team leader's skills in leading and managing change will really get afflicted. At the same time we can be sure that also results should be considerable, as in many real-life cases in Kim's and Mauborgne's book Blue Ocean (2015) were.

6.7 Identify and avoid bad strategy

Before going to the chapters, where the focus is on strategy execution, there is still one more important thing to concern. This is the bad strategy. Once more strategists, executives, managers and team leaders need to evaluate their strategy with following advices and make sure they have tried to do their best before implementation.

According to Rumelt, the bad strategy is not just the absence of good strategy elements. Additionally, it includes misconceptions about strategy itself and errors in leadership. The logic and the nature of the bad strategy differs from the good strategy and, instead of accurate diagnosis and guiding policies, it is based on mistaken foundations. It seems that one major reason for bad strategies are managers' false understanding about strategy itself and its function. (Rumelt 2013, p.32) In the following figure 13 are presented different major reasons for the bad strategy according to Rumelt.

FOUR MAJOR REASON FOR BAD STRATEGY	
1. FLUFF	This means just creating an illusion of high-level thinking by using words and concepts, which are hard to understand.
2. FAILURE TO FACE THE CHALLENGE	Without identifying accurately the challenge, you can't create a good strategy. If you don't know exactly, which are the obstacles to overcome, making effective strategies with evaluations are impossible.
3. MISTAKING GOALS FOR STRATEGY	Instead of identifying real obstacles to overcome, bad strategies are rather just statements about desire.
4. BAD STRATEGIC OBJECTIVES	Bad strategic objectives have features. First, they fail to address critical issues. Second feature is that, those are impracticable.

Figure 13. Four major reason for bad strategy. (Rumelt 2013, p. 32)

Leaders, strategists, managers and professionals have a big responsibility for creating effective strategies. Just knowing reason for the bad and good strategies is still not enough. There are also other aspects, what leaders need to take into account, when creating and executing strategies. One significant reason for the bad strategies is leaders' personal attitude and understanding about what strategy means and how it works. If leader have mistakenly understood that strategy means a goal setting, the result will be a failure. The strategy means just an accurately planned way to overcome some special obstacle. Another very important aspect is that leaders need to be able to prioritize actions and resources just on the key factors, which have a strong leverage for achieving the target. This is the same, what was discussed in chapter 6.3 (Reallocate resources and actions to leverages).

Leaders need to be willing and able to say no for many suggested actions and interests. According to Rumelt "Strategy is at least as much about what an organizations doesn't do as it is about what it does" (Rumelt 2013, p. 20). In other words, defining and deciding, what truly is important and focusing actions and resources to those makes it strategy. Otherwise the organization loses the focus and resources are allocated ineffective way to the unconnected targets. This might lead even to the worse situation, where tangible and intangible resources are allocated to conflicting goals. If the management cannot prioritize things and say no to many suggested actions, result will be just a mess of objectives to accomplish, which are not coherent. (Rumelt 2013).

This all leads to confusion, inefficient use of limited organizational resources and in the end, the original target will be missed out and the result will be a mess. This causes also other damaging impacts inside in the corporation, not just failure with achieving the original target. In later chapters where is discussed about individuals' internal working

life, we can see that the bad strategies leading to failure as well as ineffective leadership causes damage also for employees' working satisfaction. This again causes decline in employees' creativity, efficiency, motivation and so on, which damages whole corporation's advantage in long term like a vicious circle. Chapter 7 (Making good strategy work) points how hazardous it can be to lose the focus in leading business and in creation of coherent and accurate strategies.

7. MAKING GOOD STRATEGY WORK

The last phase of this study is to implement defined strategies for achieving the new target state. This is the phase, which will determine strategy creation whether it is going to lead into a failure, success or somewhere in the middle. Unfortunately, this essential phase is where majority of larger organizations faces trouble (Sull & Homkes 2015, pp. 60-66).

Now the excellent leadership and management skills will be needed as well as the whole nutrient platform to encourage everyone to act towards new destination. This needs the powerful guiding coalitions with strong mutual trust and commitment, several kind of supporting actions for employees and management as well as excellent capability to align people behind the new strategy all over the organization.

7.1 Attention, Focus, Perception, Interpretation and Understanding Company Strategy

Amount of communication about the strategy and the key priorities seems not to be the only spotter to success. Sull's and Homkes' research revealed that only 55 % of middle managers they surveyed were able to name even one of the top five priorities in their company. What this means is that, not even half of these middle managers whose responsibility is to explain the strategy to their own troops are able to say any of these priorities right. Moreover, the weak understanding about these strategic objectives, the way those are connected to each other and to overall strategy seems to be lost. According to this research, almost half of the top management do not understand accurately how major initiatives and priorities are related to each other. The situation gets even worse with senior executives where relations are understood with fewer than third. (Sull & Homkes 2015, p. 63)

Getting information how poorly strategies are understood through their organizations shocks often senior executives. They might have made lots of investments and seen effort to communicate their strategy, but the result might still be weak. The insight is that, the issue is not the amount of given information. The management should not to rely just to the amount of given information. Their own thinking misleads them to assume, that the amount of input is the way to achieve contested output in this context. But the real key is, how well leaders understand the communication. The common saying "The amount will not replace the quality" seems to hit the nail in the head also here. What top executives really need to take care of is ensuring that the strategies are understood among executives and managers. And efficient way to certain if people have understood

the strategy and its priorities is to ask executives and managers to describe it by their own words. (Sull & Homkes 2015, pp. 63-66).

Align people's hearts and minds to new strategy

According to Kim & Mauborgne, successful strategy execution depends also significantly about employee's commitment and motivation. Trust, collective commitment and right kind of constitution with leadership and managerial capabilities among the top management team are just essential starting points for creating the change and executing it. It could be seen as a nutrient ground for cultivation. As was written earlier, "individuals are the ones, who makes every new strategy alive in practice". It is important to pay attention to align employees' and managers's hearts and minds with the new strategy. (Kim & Mauborge 2015, pp. 161-176, 181-184). Otherwise the execution will be inefficient or lead in a failure.

Aligning is not as easy as managers and executives might think. Taking personally care of subordinates' and co-workers' alignment to the strategy and the chosen direction forces each executive and manager to pay attention to several factors. As we can see from earlier chapter 5.3 (Leverage angels and silence devils), even harsh actions will be needed from the top management level to secure positive attitude toward the change in the organization. Additionally, aligning remaining people towards new strategy demands also other actions from the top directors. In bigger scale, one need to offer something to people, which makes them individually willing to change themselves. As Newton argues, after all it is individuals by themselves who make the decision to change or not to change (Newton 2015, p. 15). Again we could see these individuals as grains put into nutrient ground, which still demands continual watering and sunlight to grow, ripen and finally produce the great harvest.

As Stewart claims, in order to make the change successful you need to buy-in at all levels (Stewart 2014). To success in this buy-in, there is presented next several advices for CEOs, executives, managers and team leaders in different hierarchical levels, how they should proceed with aligning people into successful execution of the new strategy.

- 1. Explain accurately, why change is needed.** The whole personnel needs to understand why the change is needed as well as the way, how they themselves should change. Offer continuous clear and sufficient information about the change and the new direction. (Alahuhta 2015, pp. 46-47). Newfarmer delivers the message by saying that it is unwise to contest the change only for the sake of change itself (Newfarmer 2015).
- 2. Create a sense of urgency.** Ensure that the stakeholders also understand the urgency of the change (Metcalf & Morelli 2015). Kotter emphasizes this by claiming that establishing urgency is remarkably important to get people in effective

co-operation. Without high urgency it is hard to make any powerful and believable teams, which can take care of guiding the process or convincing key individuals to participate on creation and communication of the change. Sustaining this urgency is important, because otherwise it is likely that the finish line will not ever be achieved. (Kotter 2012, pp. 37-38)

3. Offer an inspiring vision, which is made from the customer's point of view.

The vision should be accurate, clear, meaningful, inspiring and it should tell, what corporation's ranking purpose is. It should force personnel to watch company's services and products from users' and customers' point of view. This offers a coherent way to improve the operations and create new long term innovations. (Alahuhta 2015, pp.71-72). Sensible and appropriate vision has three important influences for leading the change. It directs and aligns personnel's action and decision making as well as gives inspiration for them. (Kotter 2012, p. 8)

4. Make the strategy visual. By offering accurate visual presentation about strategy's purpose, employees will achieve capability to see how their own actions contribute the target state. Making things visual creates energy among employees and management. (Alahuhta 2015, p. 56)

5. Do not separate strategy formulation from execution. This contributes personnel's trust, motivation as well as personal willingness to cooperate voluntarily to carry out the new strategy. (Kim & Mauborgne 2015, pp.171-176). Being a leader of your troops, you need to participate employees to strategy creation to make them able to adopt it. You also need to listen people around you, they might have very important insights and information, what you have not taken into account so far. Especially, you should praise the employer, who discusses with customers, because the customers might have crucial information for your company's future. Additionally, you cannot see beforehand how the events will evolve in the future, and for that reason, you need to remain flexible to adopt your strategy with the circumstances. (Montgomery. 2012. pp. 157-159).

6. Take care of offering continual clarity. Change easily creates confusion and even in very effectively working teams, its members might start moving in different directions. That is why it is important continually ensure the teams are working towards their goal inside the predefined guiding framework. (Newton 2015, p. 52).

7. Break the challenge into bite-size atoms. Employees need to believe that the strategic change is attainable. Without this belief, making the change happen

will be unlike. (Kim & Mauborgne 2015, p. 164). This is why the CEO and the managers in all hierarchical levels need to break the challenges into pieces, which their subordinates can handle.

- 8. Create continually short-term wins.** The management should put continually lots of emphasis on short-term wins, which are the straight steps towards the target state. Depending on the size and challenge of the change, the time it will take to accomplish, might vary quite a lot. By using short-term wins, management can keep the essential movement on. Notably, reaching these short-term wins offers to personnel important evidence that their efforts are paying off. (Kotter 2012, pp. 121-135). Additionally, as a leader one need to take care that those short-term wins include always three characteristics presented in the following figure.

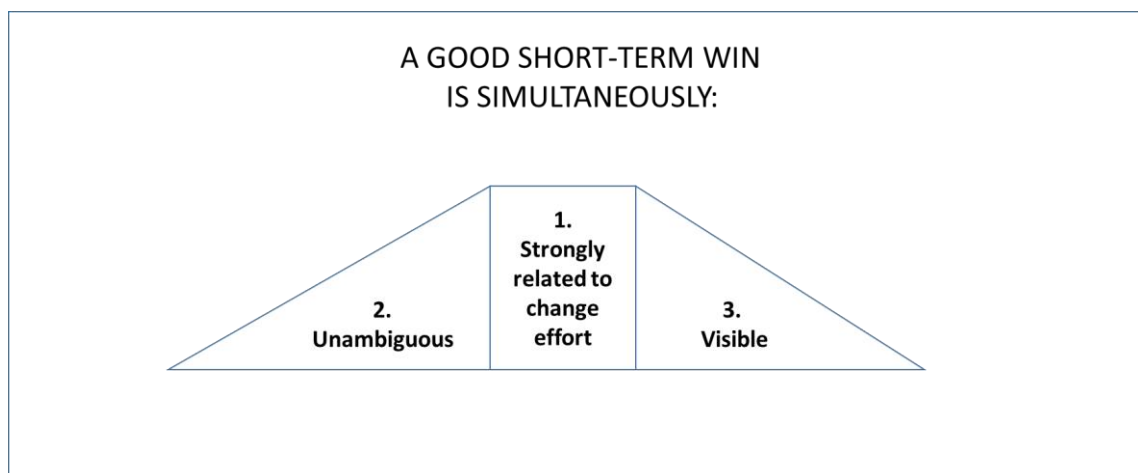


Figure 14. Three characteristics of a good short-term win (Kotter 2012m p. 126). Visualized by author

In the figure above is presented the key elements of the good short-term win according to Kotter. In other words, short-term wins should be as clear and accurate as possible that misconceptions are avoided.

- 9. Offer right level of guiding and freedom.** Personnel should always have some level of freedom the way they work, because it contributes their motivation and productivity. This also allows employees to find good ideas and insights. Of course they should still be given adequate guiding to ensure they use their focus on the right things. Otherwise the result can be the chaos. (Newton 2015, p. 53)
- 10. Offer fact based arguments with constructive suggestions.** As a leader try to show how the change will lead to organization's overall advantage. (Newton 2015, p. 80) Additionally, try to make employees to understand that the change will also be their own advantage. Using a carrot is better method than using a

stick, as common saying goes (Newfarmer 2015). According to Stewart ensuring the success with change initiatives demands that employees both believe and support strategic goals and see those as clear advantages for themselves and company (Stewart 2014).

Give adequate information in right time

Giving accurate and adequate information about the change at hand, why it is needed and what kind of consequences it will have to the company and its employees, is important part of managing the change. Timing, quality and coverage of given information will have big impact to employee's capability to see the change as a new opportunity instead of drifting in a negative emotional space where anxiety, paranoia, denying the truth and losing loyalty are typical. (Ylikoski & Ylikoski 2009, p. 39). The following figure demonstrates, why it is important to take care of comprehensive information just in time about the change inside the whole corporation.

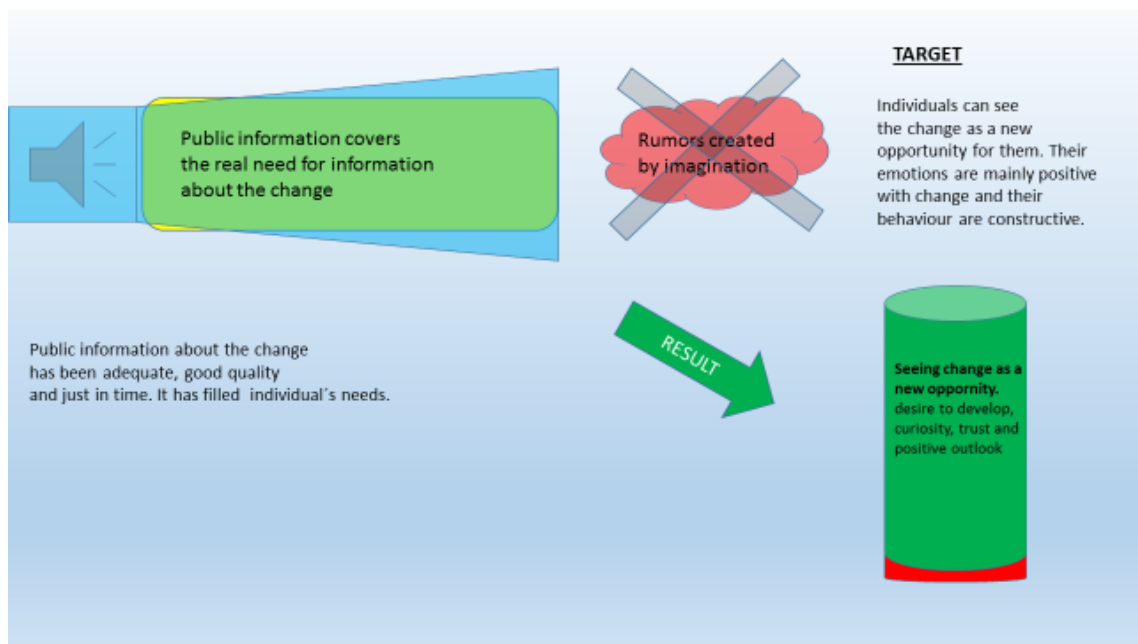


Figure 15. Need for information, public information and rumours created by imagination. Original reference Ylikoski & Ylikoski (2009, p. 41). Modified by author.

As figure above demonstrates, the comprehensiveness, quality, timing and continuity with public information about the change have significant impacts to individual's capability to commit in a constructive way to the determined change. This reduces significantly rumours and helps individuals to achieve positive attitudes for the change. Due to this, in the following figure is presented advices how to proceed with public information under change.

INFORMATIONS SHOULD:

- be transparent
- be given in early phase
- tell to every individual in the organisation, how change concerns this person
- tell, how change concerns the whole organisation
- tell the purpose of change, where it is based on and what kind of benefits it should offer for the company
- include the plan, how organisation is going to proceed with the change
- be given immediately, even the message is going to be very hard for receiver. The more complicated the situation is for individual, the bigger need for getting accurate information in very early phase.
- offer real information, which decreases space for rumors
- offered regularly! Don't count on that giving information about change only few times is enough.

Additionally, offer different kind of forums for personnel, where it's possible to share fresh information easily and where employees and management could discuss together and get common understanding about change and new direction.

Figure 16. Advices for public information in changes. (Ylikoski & Ylikoski 2009)

When the management follows these advices, they will contribute strongly whole organization's mental transmission from the current state into new target state. For that reason advices should be followed by all executives and managers during the change processes.

7.2 Management's Commitment to Strategy Making

One of the key elements for company's success is the quality of the top management's team work (Ylikoski & Ylikoski p, 25). Executives should be ready to make personal sacrifices and be supportive to each other for company's long term advantage, not their own. Trust and collective commitment are the cornerstones.

If executives and managers are more interested about their own benefits, current organizational position or power, they become preventing forces against the organization's overall advantage in the future. No major change will happen, if these top executives, who are, by the way, most powerful strategic leverages, are not willing to give up their own existing benefits. They also need to charge themselves to change internally and externally in a way, which contributes the needed change. Otherwise, there will be no truly collective commitment, just words out of touch.

The words out of touch have very dangerous impacts overall in a company, because it is the highway to destroy existing trust and collective commitment. Executives in the top management team need to remember, they have very specific accountable position in the company in respect to employees. Everything they do and what they will say will be under personnel's magnifying glass. They have been selected to this position, where one of their most important task is to be the role models for their subordinates. Remembering continuously this position and synchronizing words and actions is vital, because if

those are not parallel, executives in the top management team will lose employees' trust. If the executives are part of the change management coalition, this kind of incoherence will damage greatly the whole change effort in the company. (Newton 2015, pp.157-158). As Kotter writes "Nothing undermines change more than behavior by important individuals that is inconsistent with the verbal communication" (Kotter.2012. p.10).

Powerful guiding coalition

One remarkably critical factor for the successful change execution, besides commitment and trust among top management, is the constitution of managerial and leadership capabilities among change coalition members (Kotter 2012, pp.59-61). Being in charge of the change forces to make hard selections, who should be part of the leadership team and who should be left out (Metcalf & Morelli 2015). In earlier chapter 5.2 (Judge top management team members) was presented many advices, how CEO should choose members to his/her top management team, but it does not offer every critical aspect how to create effective change coalition.

In the following figure, which is taken from Kotter's book *Leading Change*, is presented four different examples of change coalitions, where constitutions of members' leadership and managerial capabilities differs. Kotter demands, that in a creation of change coalition, there needs to be strong emphasis in the aspects of leadership and management skills and high level of cooperation between those two. According to him, effective change coalition needs simultaneously individuals with excellent leadership capabilities as well as individuals with strong management capabilities. Without adequately strong leadership, there will be no human effort strong enough to communicate need as well as direction of change, which leads to weak empowerment of employees. Instead of that, focus will be in managerial mindset, where creation and execution of plans will be ascendant. No major change will be under effort in this case. Nevertheless, just offering great leadership is not better, because then there will only be some words about needed change, but no power or capability to make it happen in daily processes. (Kotter 2012, pp. 59-61).

The figure also demonstrates what kind of constitution of leaders and managers will be effective in the change execution according to Kotter. On the right side there are two different examples, which might lead to the success with change. Right bottom quarter of the figure should be the optimal situation of these four different choices. On the left side are the examples where constitution and quality of managerial and leadership skills are incompetent in change coalition.

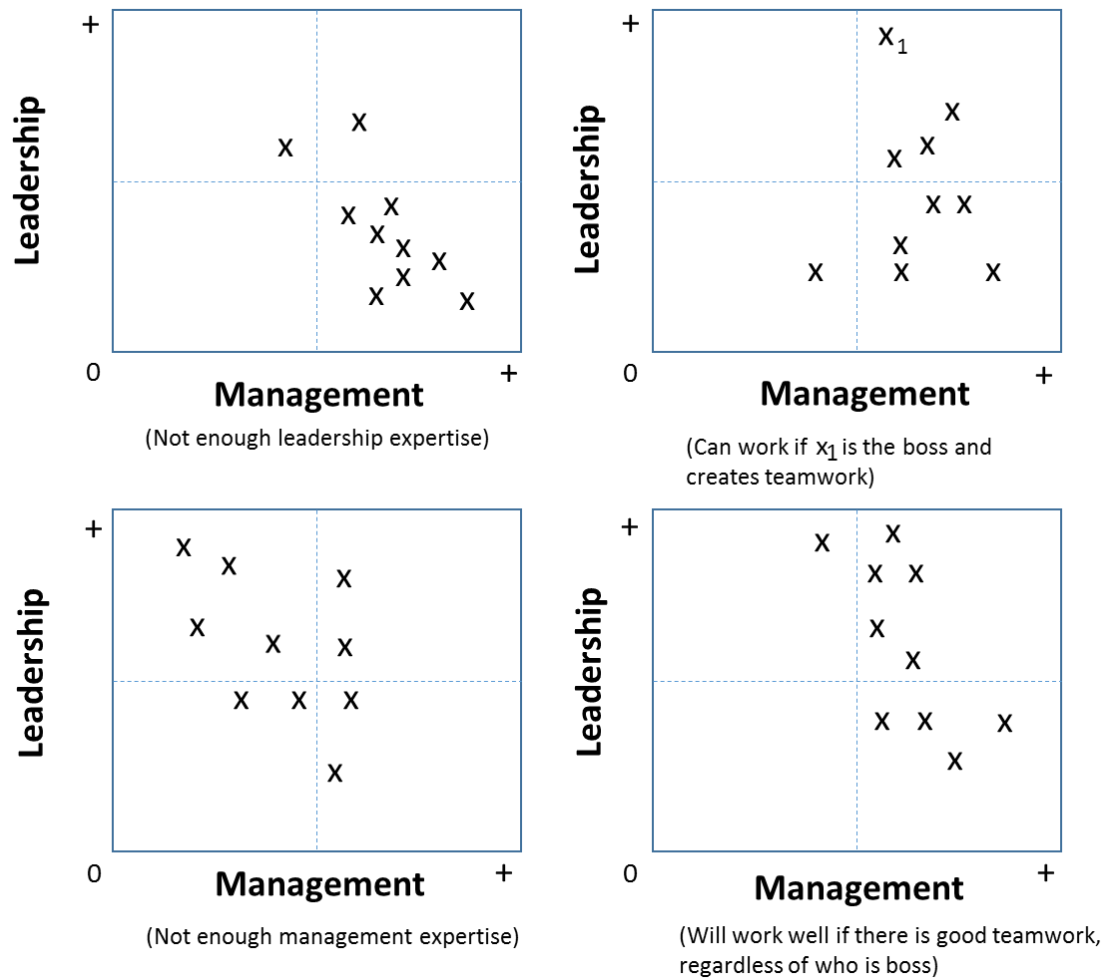


Figure 17. Profiles of four different guiding coalitions. According to Kotter (2012, p. 60)

The figure above works as a good tool and it is strongly suggested to be taken into account while creating the change coalitions. It should be used by the board of directors and CEOs, always with those who have the overall responsibility to take care of the execution by creating the change coalition. Candidates should be analyzed in a light of their managerial and leadership skills and then trying to gather the coalition, where the combination of these skills are as in figures right bottom quarter. Without forgetting critical elements of trust and collective commitment.

Team leaders

Team leaders are the ones, whose role in the change is both challenging and remarkably important. They are the ones, whose actual duty is to take care of the practical fulfillment of the top management's new visions and strategies with employees under their command. They are the ones, whose job is to change above given words to something physically existing with their team members. Additionally, their task requires them to take care of both day-to-day work as well as driving the change. But nevertheless, team

leaders still are not tended to be seen as a powerful assets for making contested changes reality, even in reality organizations are platforms for team working. (Newton 2015, pp. xii-xiii).

Top management should pay careful attention to the team leaders. It is important to understand how challenging it can be as a team leader who is responsible for specific transition from current state to target state along with the day-to-day job. Team leaders will face expectations from opposite parties, organization and team, and their duty is to create and sustain balance between these in constructive way and take care of efficiency in day-to-day work as with implementing change (Newton 2015, pp. 14-22, 123). Next figure clarifies how multifaceted position team leaders have.

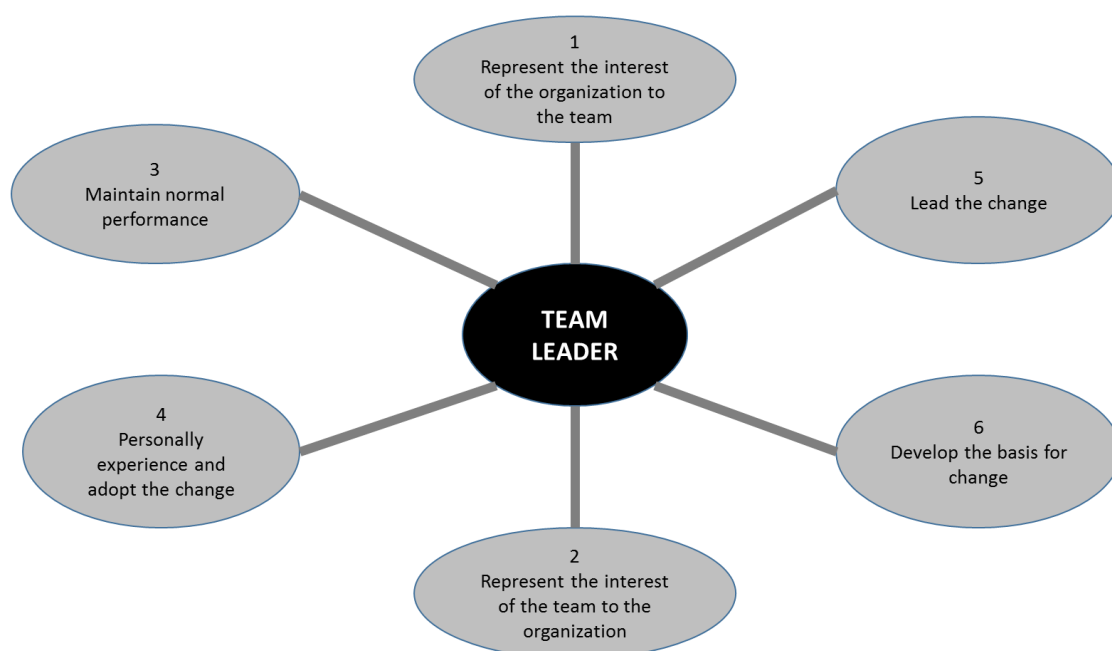


Figure 18. The six change hats of a team leader. According to Newton (2015, p. 18)

Team leaders need many kind of skills to take care of their duties in this challenging position. Being in charge of executing the change with team, is like being the conductor of an orchestra according to Newton. (Newton 2015, p. 19). This clarifies well how important role they have in transitions and why paying strong attention to them is crucial to assure as efficient ground for overall change as possible. Newton even argues that according his observations, the greatest barriers to the change can actually be the team leaders themselves (Newton 2015, p. xiii).

7.3 Change Management and Leadership

Succeeding in transformations demands organization to have simultaneously deep know-how and exceptional good skills in leading and managing the change. Sutter claims that weak change leadership is the major reason to failure of changes in global environments (Sutter 2016). Kotter claims that successful changes are 70-90% about leadership and remaining 10-30% about managing (Kotter 2012, p. 28).

In the heart of change is to understand how it concerns people, and leaders should be prepared to face individual's somewhat unpredictable responses to it (Newton 2015, pg. xvi). It is only natural that individuals resist changes and leaders should be able to overcome this resistance (Sattar 2016). When the top management and board of directors have discovered new opportunities in the markets, or if there is compulsory need for company's adaption to the market situation, the need for well premeditated change leading and management emerges. Forgetting the humane dimension in the change planning will inevitably lead to serious and damaging consequences. Accurate understanding of the human behavior in every change process is critical (Newton 2015, p. 8).

Sattar has divided reasons for resistance in three main categories, which are 1) self-interest, 2) uncertainty and 3) different assessments and goals. Self-interest relates to individual's own believe about losing something valuable because of the change. This is important aspect to understand, because biggest obstacle to the change might be exactly the fear of personal loss. Uncertainty relates to individual's unclear understanding about affects caused by the change as well as own capabilities to meet new demands. Additionally, the change can also be assessed differently by different parties. Individuals who propose the change to happen might have quite opposite views than people who are just exposed to it. (Sattar 2016)

Summarizing Ylikoski & Ylikoski's book "Työyhteisö muutosmurroksessa" withdraws following main aspects to the centre of management's attention, when preparing for the change. First, management should know precisely, what kind of consequences bigger changes might cause to themselves as well as to employees. Second, they must know, which are the crucial actions to help individuals through the change. Third, management must give lots of attention to the develop procedures as well as execute those in a way, which enables organization go through so called chaos phase with minimum damage and finally achieve the target state. (Ylikoski & Ylikoski 2009). This chaotic phase is demonstrated in following figure as well as in later figure 20.

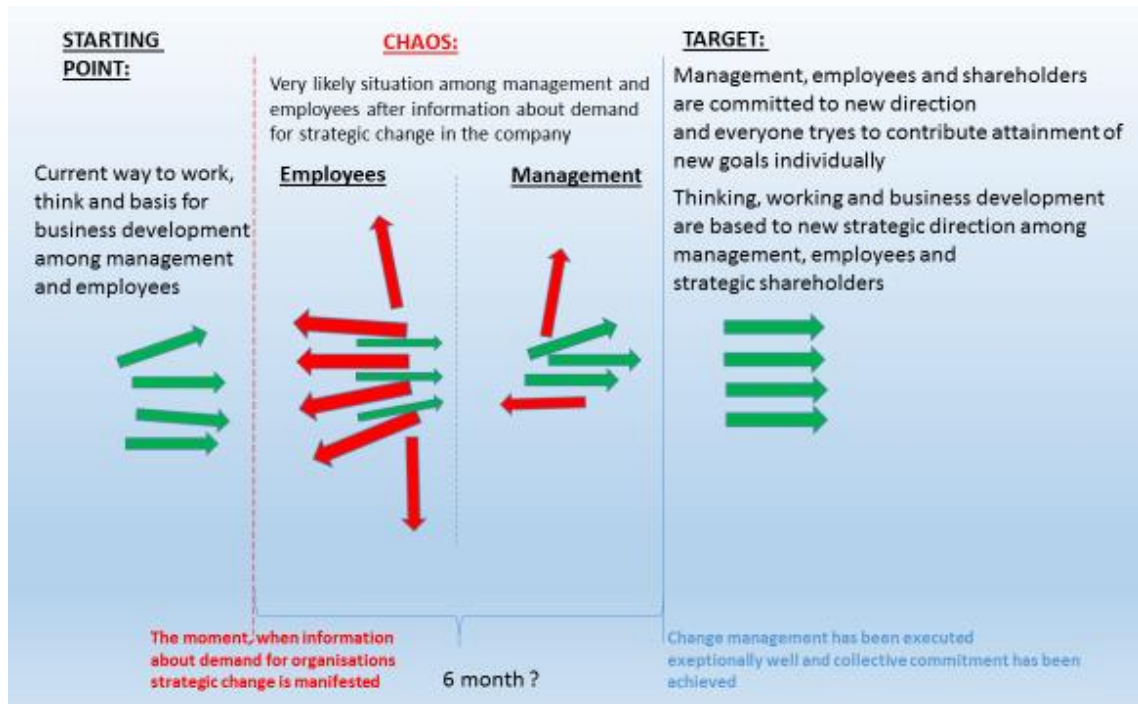


Figure 19. Information about change generates mental chaos. (Ylikoski & Ylikoski 2009). Visualized by author.

Figure above demonstrates what is expected to happen in organizational level, when information about the change is revealed. This figure clarifies the human behavior in big picture in changing circumstances. Additionally, it is notable that the figure above is about specific change which has been successful in its execution. The reality is that many change programs will fail and target state will not ever been achieved. This is supported by claim which says that only 30% of change leaders will succeed and the rest 70% will fail (Kotter 2012 *, p. 4).

Understanding emotions

Emotions are individual statements with respect to something, what person have seen, heard or felt. What is more, every individual might have quite different emotions in same kind of circumstances. (Ylikoski & Ylikoski 2009, p. 20). This is why the successful change management is highly challenging.

In the following figure is presented emotional phases, what the change will cause for individuals. Especially knowing the first three phases will help change leaders and managers to stay calm if, and when, disruptive behavior starts to arise among employees. These phases are natural consequences of the change and after some time period will subside. This knowledge helps change leaders and managers to improve their skills in emotional intelligence, and stay calm.

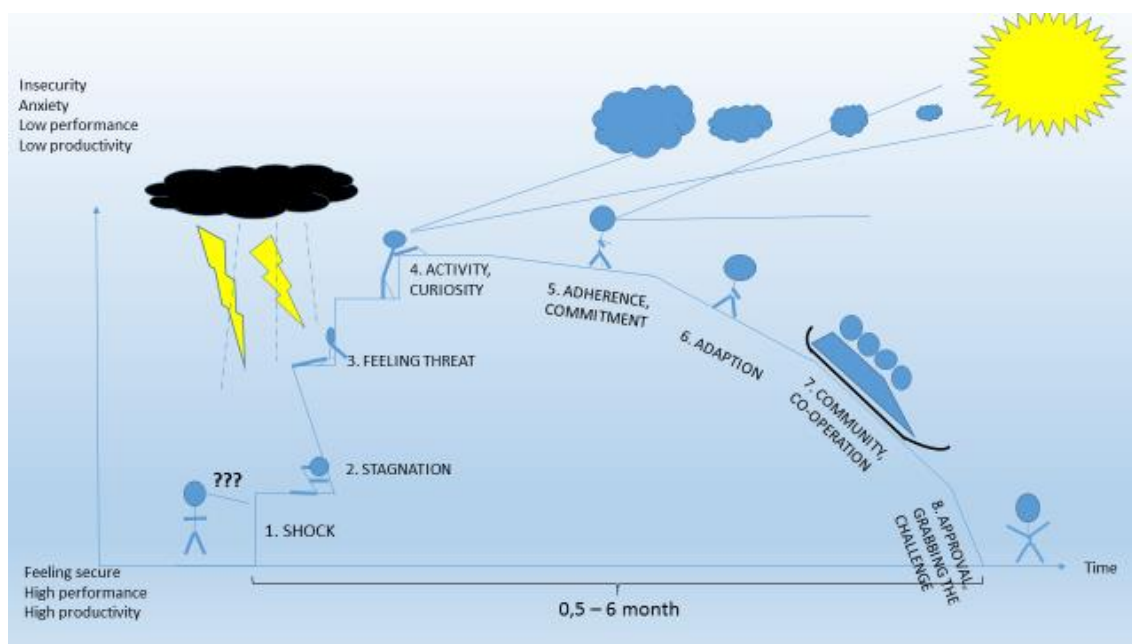


Figure 20. Emotional phases under change (Ylikoski & Ylikoski 2009, pp. 32-66). Visualized by author.

The key insight of previous two figures is that we cannot expect the individuals to be immediately able to commit fully to the change, whether they belong to the management or the other level of organization. Everyone needs to go through this unavoidable trip and must have opportunity to face their weaknesses in supporting circumstances in order to get back their security and performance (Ylikoski & Ylikoski 2009).

The top management needs to also keep in mind, that they are far ahead their employees in this mental process concerning the change. The top management and the board of directors are the initiators of strategies and new directions, so they have had time to think and handle the change long before employees. Due to this, the management should be patient and give enough time and personal support for their employees to walk through their individual emotional journey.

Individuals in change process

As mentioned earlier, the top management needs to remember, that individuals are the key components for successful strategic shift. They should not be seen as problems, hindrances or meaningless in the process of the new strategy implementation. This misleading opinion seems common in some companies and it has been reported damaging. By simply, individuals are the ones who make every new strategies alive in practice. (Ylikoski & Ylikoski 2009, p.14).

Key questions for the top management is, how to get the whole organization strongly committed to work towards the new direction? How the management should proceed? What should they offer to individuals to make them willing to rebirth themselves? The

real insight is, the best results will be achieved when individuals themselves want to change, not only because of demand of the top management or the circumstances. As Newton claims, you cannot change people, it is the individuals by themselves who choose to change or not (Newton 2015, p. 15). This entails very important insight, but it should not be understood as black-and-white, meaning that you cannot do anything to change people. Finding the key leverages to influence individuals' minds making them thirsty for the change, will be the biggest challenge and the real cornerstone for managing and leading the change.

Empowering the employees

Leading and managing the change is still not enough to make desirable change to come reality without right kind of empowerment with employees. There are many different kind of barriers, which can be left easily outside of management's attention with the change ambition leading to weak implementation or even total failure. (Kotter 2012, pp. 105-106). As it was written earlier, employees are the ones who makes every strategy alive in practice. That is the reason, why whole management in every organizational level needs to take care of offering their subordinates all support and needed capabilities to overcome their individual obstacles as well as eliminate obstacles, which prevents their progression toward needed change. (Kotter 2012, pp. 105-119). The following figure tries to demonstrate empowerment, what it means, who are responsible for it and why it is needed.

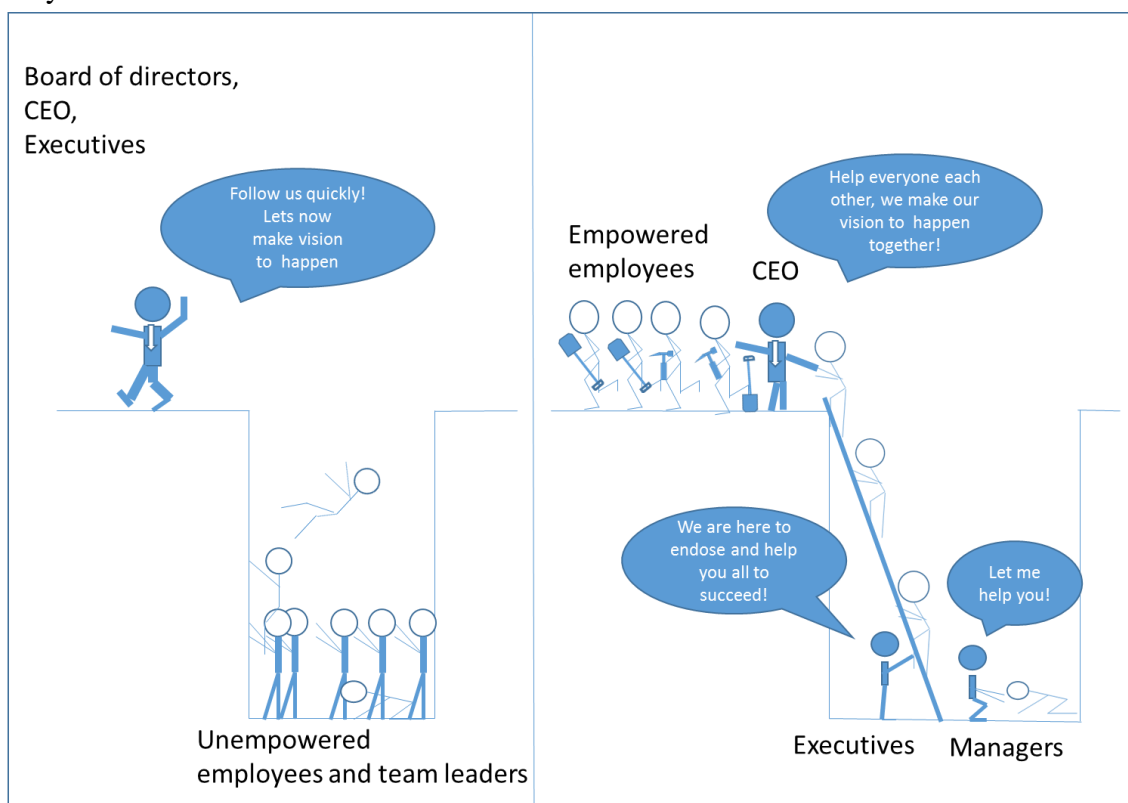


Figure 21. Unempowered vs empowered employees. (Martola 2016)

Kotter urges leaders and managers to take care of right kind of empowerment with employees to make the change at hand possible (Kotter 2012). In the following figure is presented elements, which are essential for empowering employees for the change according to Kotter. These elements are sensible vision with aligned structures and systems, pertinent and accurate training and effective treatment with opposing supervisors (Kotter 2012, pp. 105-119).

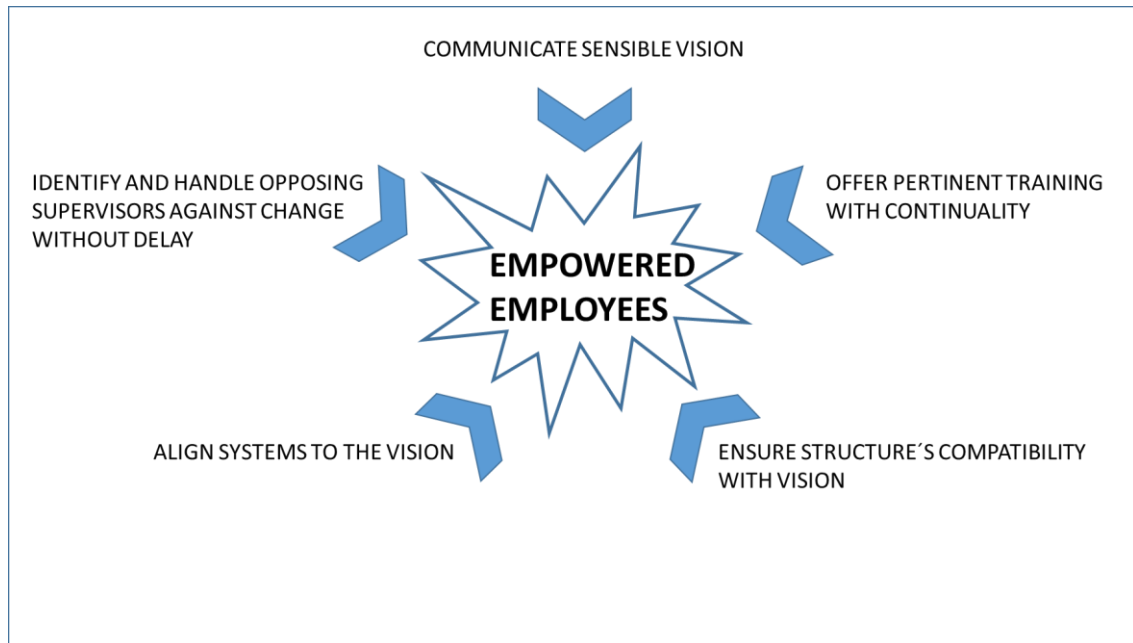


Figure 22. Empowering employees. (Kotter 2012, pp. 105-119). Visualized by author.

1. Visioning

Again, everything starts from creation and communication of new vision. In the earlier chapter, one of the advices was to offer inspiring vision, which is made from customer's point of view (Alahuhta 2015, pp. 71-72). Kotter writes about important reasons, why using vision as a tool is essential in the change process. According to him, benefits from using vision are following: 1. It clarifies the general direction for the change. 2. It simplifies decision making and makes it faster, because you can quickly understand what is appropriate and what is not according to vision. 3. It has motivational influences making people to start acting toward desirable direction. 4. It makes coordination of actions faster and more efficient. 5. It streamlines the utilization of resources for transformation process. With clear vision it is possible to see, which resources do not contribute the change and should be resettled. (Kotter 2012, p. 71)

2. Identifying and handling opposing managers

Identifying and handling efficiently opposing managers without delay, is the critical factor to make transformation from the current state to target state to be successful. The more powerful these individuals are in the organization, the more they have power to undermine the transformation. Even total failure with whole change mission is possible, if these persisting forces are allowed to operate with free hands. (Kotter 2012, p. 71).

Powerful opposing managers can cause different damaging influences against the change process. Kotter's points out that strong discouragement arises easily among other employees, if they do not notice these opposing individuals are being confronted. This discouragement have precarious outcomes against the change transformation, because it eliminates individual's willingness to produce vital short-term wins as well as to contributing needed change projects. This stops the motion towards the change and also prevents anchoring new approaches. Kotter advices to be determined and brave to confront these opposing managers without delay with honest, rational and thoughtful dialogue. This dialogue should be a fair process and it should decrease the risk of damaging political counterattacks and impaired short-term wins. If the opposing behavior stays after the dialogue, replacement of these individuals is the solution Kotter prefers. (Kotter 2012, pp. 117-119)

3. Aligning human resource systems

If the management's attention is to get personnel start behaving in a new way instead of old and familiar ones, they also need to take care of that organization's systems are not against wanted transformation. Kotter emphasizes here the human resource systems. In the transformation, aligning and empowering personnel efficiently requires that performance appraisals, promotions, compensations as well as successions planning are all aligned with the new vision. These should be redefined in a way that employees are able to see the change is their own best interest and they are willing to run towards it. (Kotter 2012, pp. 114-115). Management should understand how inconsistent is to ask people to change their behavior and actions to the new direction, but still reward them from old model. In other words, contesting active participation for future cannot be done by reward systems based on today's performance (Srivastava 2014, pp. 309-310). What Kerr advices to do first, is that managers should explore what kind of behavior existing rewarding contributes. According to him, reward systems might be just the reason for undesirable behavior in organizations. Reward systems needs to be renewed in a way that it contributes desired behavior toward the target state. (Kerr 1995)

4. Ensuring structure's compatibility

As written earlier, it is crucial to have aligned and collectively committed top management and the same considers with organization's structures. If organization's structures are not working efficiently together towards organization's overall target state, change process will sooner or later fail. Kotter writes about structural silos, which undermines easily progress in the change execution. If resources and authority are too fragmented in organization, it can stop the progress even employees by themselves are willing to change things. (Kotter 2012, pp. 107).

5. Offering pertinent training

Because the change in business strategy means the end of something existing and the beginning of something new, it also requires modification with individual's behavior, skills, capabilities and attitudes. According to Kotter, it is common that companies perpetrate to offer inadequate and inaccurate training during big change efforts. Sometimes training is well offered, but timing is wrong. Additionally, training might be offered just for few day courses, but effective follow-up during individual's career is missing. Due to this, Kotter advises to think accurately what kind of attitudes, behavior and skill are needed during the whole change process, not just in part of that. Additionally, instead of conventional approaches, it might be clever to design new effective ways to teach people. (Kotter 2012, pp. 110-113)

Eliminate silos to secure horizontal alignment

Above, it was already shortly written about structural silos and how important it is to make sure that organization's structures are working efficiently together toward organization's overall target state, this silo aspect needs to be more deeply examined. What are these silos, what Kotter speaks about and how those come out? According to Kivekäs, a specific group, system, unit, process or some other part of organization, which is operating isolated from others, fills the definition of the silo in a company. Additionally, working as a silo means behavior, where some individual or group in organization shows reluctance to co-operate and share information with others inside the organization where they are working. (Kivekäs 2014, p. 10)

According to Sull & Homkes wide research, the silos are significant problems in many large organizations when executing strategies. This seems to be almost as significant factor as weak aligning with the new strategy execution. Sull & Homkes research reveals that only about tenth of managers are able to trust people in other units and functions continuously. Commitment from these other units and functions are not seen reli-

ble. Additionally, silos have been addressed to influence significantly to overall performance. Managers who has participated to Sull & Homkes research claims, that insufficient support from other units can even triples their likelihoods to fail with performance commitments. What most managers longs for, are more structurized processes, which enables horizontal coordination across units. According to research, only fifth of managers believed their horizontal management processes across units were working well. It seems that the vertical management has eclipsed the horizontal aspect. (Sull & Homkes 2015, p. 61)

7.4 Internal Working Life

The last theoretical area this thesis concentrates on is the quality of daily leadership in every management level in the corporation. Top managers and team leaders needs to continuously retain sensitivity to the quality of their leadership. They need to honestly evaluate their own actions as well as support to their subordinates all the time and make improvements in the light of information presented in the following chapters. This aspects should be in the management's continual attention. The following chapters presents interesting and valuable information about human behavior and what are the means management should use to get their subordinates achieve good working satisfaction.

Teresa Amabile and Steven Kramer have been exploring actions, which contributes strongly corporation's success and employees' working satisfaction. In their book "Pienet suuret teot", they give advices, which help managers to improve employees' working satisfaction. The cornerstone for high working satisfaction is to understand and take care of so called employee's internal working life. It is notable, that this has to do only with the work, not to the benefits, what employer offers. What organizations should offer is nutrient ground for employee's internal working life, which refers to circumstances, what creates positive emotions, strong internal motivation and positive image of colleagues and work itself. (Amabile & Kramer, 2012. p. 10).

The state of employee's internal working life has correlation to their creativity, commitment to work, working friendship and productivity (Amabile & Kramer 2012, p. 14). This proves that employee's internal working life is very strong leverages for several dimensions, which are crucial for corporation's long term success. Moreover, internal working life has also remarkable impact to individual's everyday working. When employees see that work they are doing is really important and the management are supporting them in their job, the quality of their mental lives increases significantly. Management needs to understand, that giving a lot of attention to employee's internal working lives is a win-win situation for both company and employees and it is healthy ground for success. (Amabile & Kramer 2012, pp. 89-109) According to Amabile & Kramer, understanding internal working life, what it is and how to support it, gives a great opportunity for every manager to become a superior leader, whose subordinates

appreciate them and whose teams hit the success in long term (Amabile & Kramer 2012. p. 50). Additionally, because these good internal working lives are created by working circumstances, not by offered benefits, this could mean considerable cost savings for the company in long run.

The management needs to pay attention constantly to employee's internal working lives. They need to know the signs of positive internal work lives as well as negative ones. But, having the capability to observe these signs without effective toolbox to influence to these mental dimensions do not make it any better. What is needed, is a clear list of the means, which improves employee's internal working life as well as a list where is presented management's actions, which damages it. Using these lists to improve one's own actions as a leader or manager is recommended in the organizations.

Amabile and Kramer have divided different factors according to what kind of impacts they have, positive or negative to individual's internal working life and how strong they are. Positive factors are in priority 1. Progression in work, 2. Catalyst and 3. Nutrition. Negative factors are accordingly 1. Failure in work, 2. Hindrances and 3. Poison. (Amabile & Kramer 2012, pp. 89-93)

Progression, catalyst and nutrient

In the following figure 23 is presented most effective factors to improve and sustain good internal working lives among employees as well as managers. These factors are valid all the time in spite of individual's hierarchical position in the corporation. The key is, that managers and team leaders personally need to offer these factors continuously to subordinates as well as to other employees in the corporation. (Amabile & Kramer. 2012).

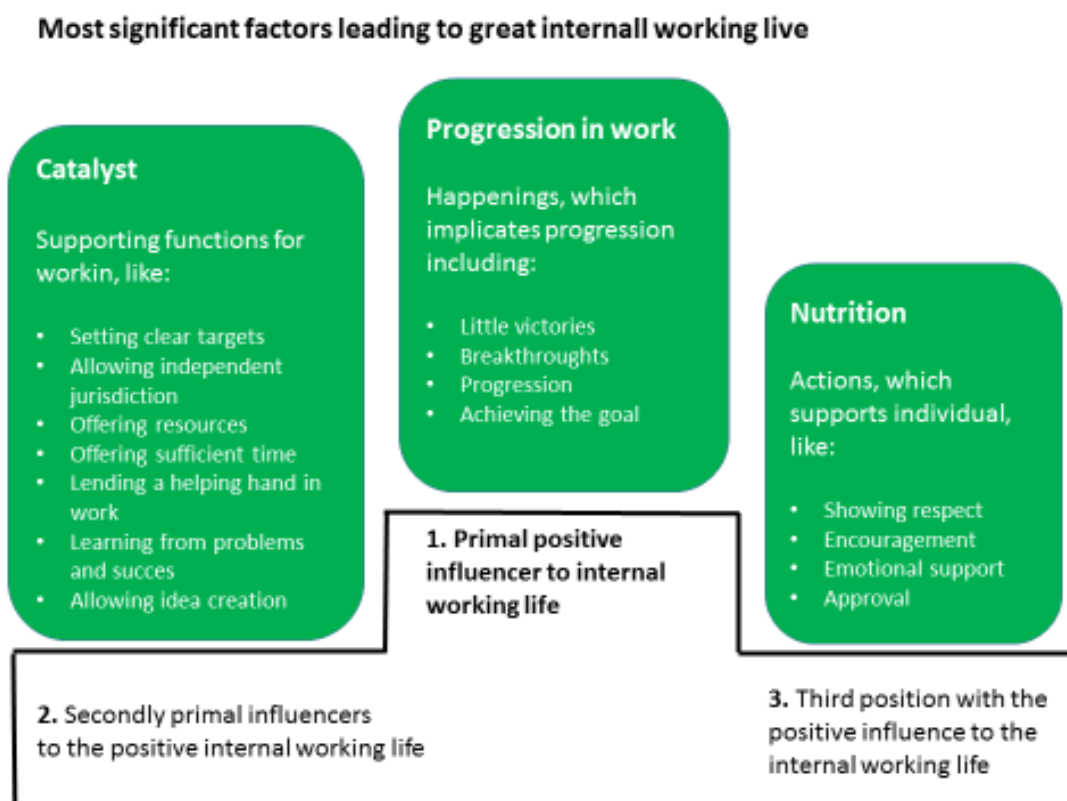


Figure 23. Key influencers for good internal working lives. According to Amabile & Kramer (2012, p. 93)

As the figure above shows, the most powerful positive influencers for employee's and management are the events, which are directly related to their own individual progression in their work. Here we get the same advices as earlier, to broke challenges into bite-size atoms and creating continually short-term wins. In other words, taking care of employee's progression is the key for good internal working life. After this comes other supporting actions by the management and personnel.

Failure in work, hindrances and poison

Next figure presents factors, which causes severe damage to individual's internal working life. When we compare it to the figure 23, we can see that factors are opposite for each other. But, what these pictures do not tell, is that negative factors have much stronger impact to internal working life than positive ones. Amabile and Kramer claims that failure in work causes three times stronger negative frustration than progression in work can mitigate. Similarly, failure in work decreases two times more happiness than progression can increase it. Additionally, connection between mood and negative working actions is five times stronger than with positive working action (Amabile & Kramer 2012, p. 100).

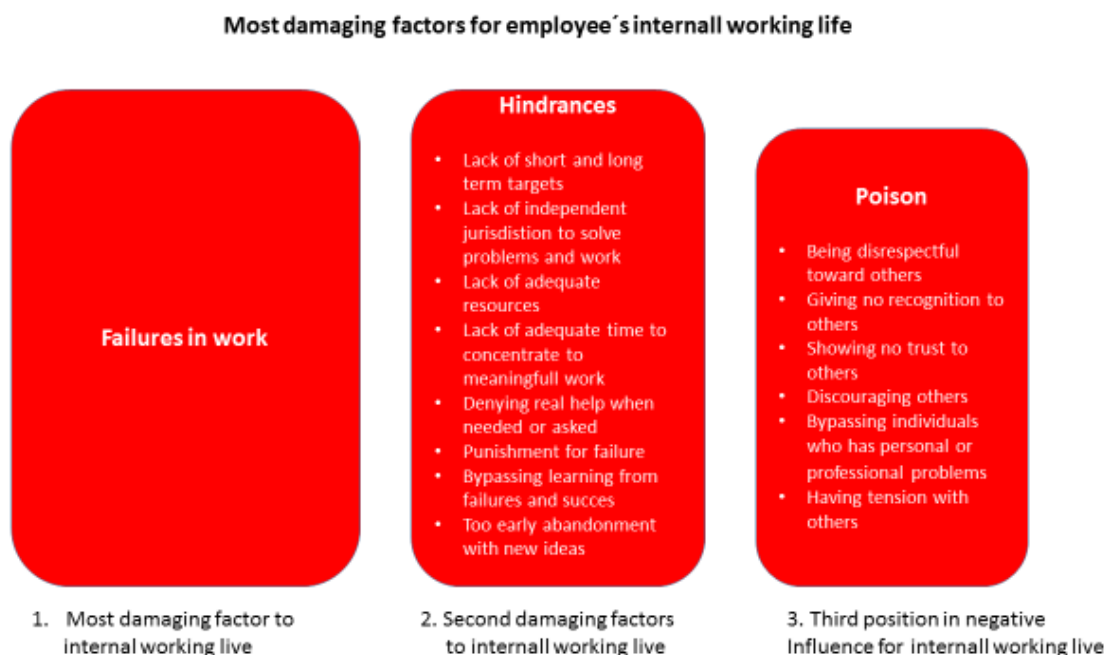


Figure 24. Damaging factors for employee's internal working life (Amabile & Kramer 2012, pp. 89-108)

Positive internal working lives are sensitive and management can damage those easily, for example, if they consciously or accidentally do not offer help to employees for their progression in work. Executives, managers and team leaders cause also damage, if they causes hindrances instead of offering catalysts for subordinates. Even if managers help their subordinates in work and gives catalysts, employee's internal working life might still get damaged, if managers' or team leaders' behavior is poisonous instead of nutritious. (Amabile & Kramer 2012. pp. 89-108).

Meaningful work

There is one more primal influencer to individual's internal working life and it is the meaningfulness of the work, where they are progressing or not. What is a meaningful work, does it need to be something significant? The answer is no. Even small things can be meaningful. The key is, how individuals by themselves believe their work creates value to other people who they care for. These people might be for example individual him-/herself, his/her team members and of course family members. (Amabile & Kramer 2012. p. 103). These examples are just part of the big picture. In the business world employees can also create value by their work for customers, partners, different business units, managers and even for the society for example. Whether the targets with their work are big or small and to who this value goes, this must be meaningful for the worker to get satisfaction from personal progress in this task. Managers and team leaders can use this given information to motivate their subordinates and co-workers. At least they should take care of that employees understand the meaning of their job. (Amabile & Kramer 2012, pp. 103-104).

The coin has also back side. What that means in this context is that, executives, managers and team leaders can also damage or even destroy the meaning of the work subordinates or co-workers are doing. (Amabile & Kramer 2012, pp. 104-106). The following figure presents four different ways how management can destroy this remarkably significant factor of good internal working life.

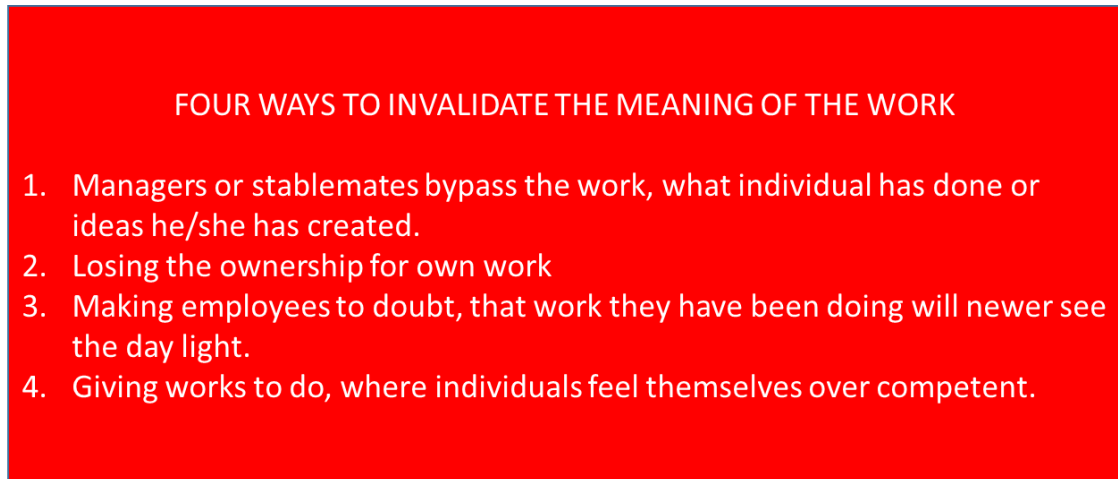


Figure 25. Four ways to invalidate the meaning. (Amabile & Kramer 2012, pp. 104-105)

These kind of behaviors, which are presented in figure above witness for low competences in empathy and social skills. In other words this means low emotional competence. (Goleman. 1998. p. 27).

Awareness of the personal progress in meaningful work

As it was shown in the previous chapter, progress in meaningful work has significant positive impacts to the individual's internal working life. This leads to the feelings of satisfaction, pleasure and joy, which in turns creates nutritious ground for individual's long term performance. Individual starts believe to his/her own achievement and it creates positive sights about individual's own work and working environment. Together these different positive impacts strengthen individual's own motivation and commitment to the work, which are crucial for whole corporation's success. (Amabile & Kramer 2012, p. 76)

Managers and team leaders need to pay attention that, individuals cannot understand progress if they do not see this progress. Seeing the personal progress by their own eyes or getting up-to-date information about this from the team leader or manager is the key. Without seeing or getting up-to-date information about progress, employees lose the most important and significant element to improve and sustain their internal working life. Due to this, the most important daily actions what every manager and team leader needs to take care of personally, is to support employees to progress in their personal work and simultaneously make this up-to-date progress visible for them. (Amabile &

Kramer 2012, p. 89). According to Amabile's and Kramer's research, majority of the managers in different hierarchical levels do not know the impacts of the progress in work for internal working life. Instead of progress, they believe recognition to be the most important way to motivate their employees and make them satisfied. But, before recognition there needs to be progress. (Amabile & Kramer 2012, p. 97).

In Amabile's and Kramer's research about 100 best corporations (published in Fortune-magazine), the majority of these corporations do not offer superior fringe benefits. Instead of these benefits, Amabile and Kramer have drawn a conclusion, that success in these best companies is based on the support what these companies offer to their employees to progress in their personal work. (Amabile & Kramer 2012, p. 103). According to this it might be worthwhile to think again, how to motivate the employees. Instead of paying annually significant incentives, a lot of money could be saved and still create and sustain highly motivated and satisfied employees in the company.

8. RESEARCH METHODS

This thesis is consisted of theoretical and empirical researches. The nature of this thesis is more qualitative than quantitative. Theoretical part was executed by literature review and empirical part by interviews.

First phase with thesis started with literature review where the aim was to find few most important factors for successful execution of business changes. Literature review has continued all the time to the end of this study to enable creation of overall proceeding model for effective change execution in strategy making.

After the structure and concepts of successful business changes were discovered in first phase, framework for research question for interviews was build. Target groups with interviews were top management team and extended top management team members in Corporation X. Target with interviews was to investigate if participants had common or heterogeneous understanding in relation to key elements what successful change execution demands.

9. RESULTS AND DISCUSSION

9.1 Key results with corporation X (business area 1)

Key results of the interviews with corporation's X (business area 1) management are presented here.

Question: Which are the competitive factors where corporation X focuses currently in business area 1 ?

Number of answerers: 4

Results:

- ☐ About 20 different factors were identified. Some of these factors could be related on specific value element in buyer's point of view, but many are more technical than customer oriented. The importance of these factors could not be evaluated collectively.

Conclusion:

- Interviewed managers do not have collective accurate understanding of current competitive factors and importance of those in their value proposition mix for buyers.

Question. How has corporation X ensured that resources and actions are focused only on the competitive factors which offer high value for customers in business area 1?

Number of answerers: 4

Results:

- ☐ Three out of four answers varied from very badly to not at all.
- ☐ One answer highlights this: "There is no systematic way, these are based on intuition".

Conclusion:

- According to answerers, the allocation of resources and actions are done without a clear guiding framework, which contest predefined value mix for buyers. Business strategy, what defines what should be done and what not, seems to be missing.

Question: Which are the competitive factors, where corporation X should start focusing on future with business area 1 ?

Number of answerers: 4

Results:

- ☐ 13 different factors were defined. Some elements which create value in customer point of view can be identified, but these are not known collectively by answerers. Rest of identified factors are more or less unattached to clear value creation for buyers.
- ☐ One highlighting statement was: *"There are many opportunities, but we have no coherent and clear direction"*

Conclusion:

- Accurate collective understanding of the target competitive factors from customers point of views does not exist.

Question: Which are the biggest gap between current state and futures target state?

Number of answerers: 4

Results:

- ☐ Only one participant was able to define gap which were related to skills, what organization needs for future.

Conclusion:

- Collective understanding about target state is unknown among managers.

Other important results:

- ☐ When managers were asked to identify corporation's uniqueness in its industry from customers point of view, their answers proved broadly it to be quite homogeneous with rivals according to them.
- ☐ **Most of answerers also pointed out that many strategies are not fully implemented to the in corporation.** Normal procedure seemed to be following: When something is invented, first there is strong enthusiasm among people. Sooner or later in many cases enthusiasm disappears and after that execution is not completed. Instead, new initiatives are created and same process recurs again. Execution of strategies and initiatives seems to be weak according to managers interviewed.

This last result about executions of strategies and initiatives inside corporation might be precarious for future. Corporation's top management might lose employees' trust to

their capability to lead changes effectively and this causes visible backfires with future change executions.

Notably, questions about competitive factors were hard for answerers and the later interpretation of these results was hard for the researcher. Identification of the competitive factors is very important and it is recommendable that corporation X would process this aspect once more.

9.2 Key results with corporation X (business area 2)

Key results of the interviews with corporation's X (business area 2) management are presented here.

Question: Where should corporation X (business area 2) focus their resources and actions in near future?

Number of answerers: 4

Results:

- ☐ Amount of identified factors were 23, but there is significant overlap.
- ☐ Answers are related mostly to factors which in practice mean value creation for customers.

Conclusion:

- Mindset of answerers is strongly customer value oriented.

Other notable results, although commonly noticed by managers interviewed:

- ☐ Production operates with low efficiency. It causes lots of waste.
- ☐ Being in b-to-b keeps margins low. Customers value service, but still make the purchase decisions mainly by price, when requirements are met in quotes. Price is determinant factor currently.
- ☐ Opinions about who should be corporation's (business area 2) customers are divided strongly. Some of answerers have strong will to transit from current b-to-b to b-to-c. They want to offer better value for end customers and get rid of the middlemen who put out for tenders.
- Creation of strategies, which improves radically production's efficiency is inevitable.
- Turnaround from b-to-b to b-to-c is the future.

10. CONCLUSIONS AND RECOMMENDATIONS

10.1 Critical factors for efficient change executions.

First research question in this thesis was following:

- Which are the critical factors which help corporations to execute efficiently big strategic business changes?
- According to literature research, the factors are following:
1. Collectively committed top management team with CEO's trust.
 2. Strong guiding coalitions with right skills and knowhow.
 3. Accurately selected team leaders offered by support and education about leading and managing the change.
 4. Silencing devils, leveraging angels, identifying consiglieres in executive and management level.
 5. Change leaders and managers being consistent with words and behavior.
 6. Understanding the big picture including the value curve in own industry.
 7. Accurate analyze and definition of the current state in target context.
 8. Accurate definition of the target state in selected context.
 9. Accurate analyze and definition of obstacles between the current state and target state.
 10. Identification of key leverages to overcome identified obstacles between the current and target state.
 11. Defining the guiding policies to deal with identified obstacles.
 12. Reallocation of resources and actions from cold spots to hot spots.
 13. Acquisition of missing tangible and intangible resources.
 14. Ensuring every participant's understanding about the need for change in big picture, the strategy and its top priorities as well as participant's own individual part in this entity.
 15. Creating and sustaining the urgency.
 16. Creating continually short-term wins.
 17. Participating practical executors to the strategy creations.
 18. Strong prioritizing.
 19. Empowerment.

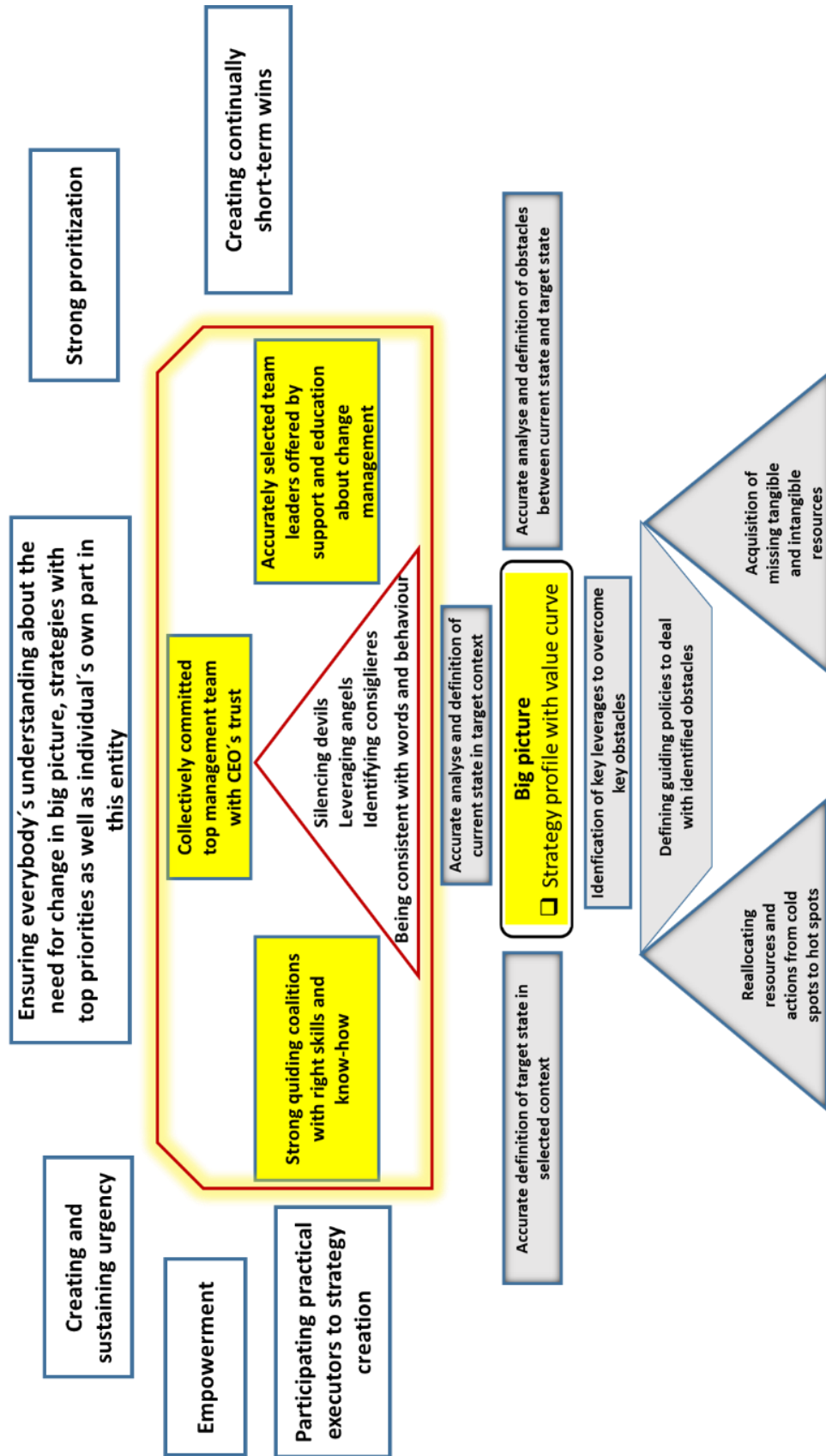


Figure 26. Critical factors for efficient change executions. (Martola 2016)

The figure 26 could be summarized as follows. The head of the figure consists of executives, managers and team leaders who are in charge of creation and executing the change. They need to understand the big picture and define “the role”, what organization or operational area under their command should start contesting for. This defined role, more accurately the target state, needs to be the overall guiding framework for operations. Creation of every strategy needs to be followed through in a coherent way including the definition of the current state, target state, obstacles, leverages and guiding policies. Allocation of tangible and intangible resources should focus on key leverages to overcome the identified obstacles between current and target state. Additionally, executives’ and managers’ duty is also to create and sustain circumstances, which align employee’s motivation, understanding and continual motion toward the change.

10.2 A universal proceeding model for efficient change executions.

Second research question was following:

- How the changes should be lead in corporation X in order to achieve new target state efficiently, simultaneously taking care of employees’ wellbeing?
- Leading and managing changes is recommendable to utilize following advices in order, what the following figure 27 includes.

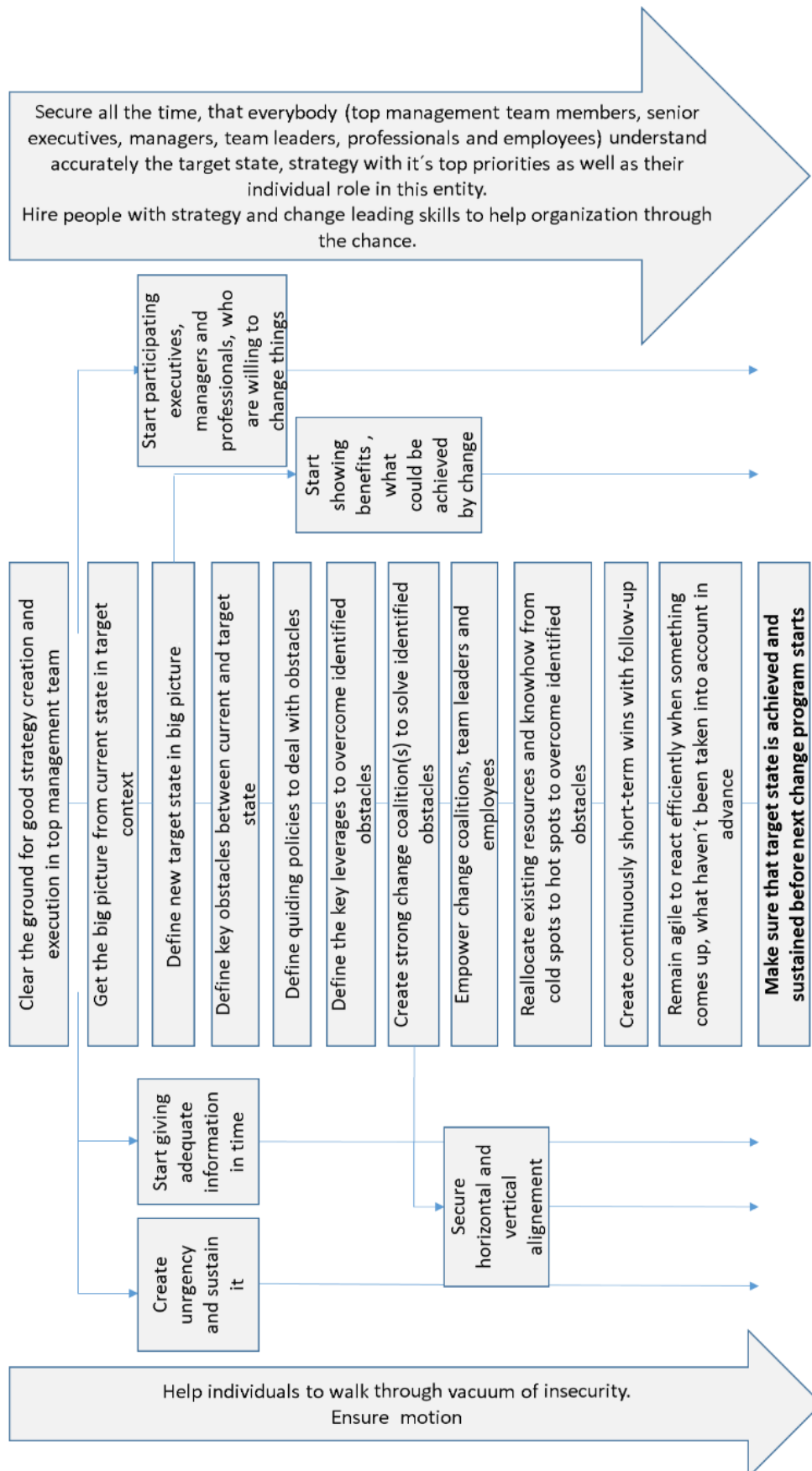


Figure 27. An universal proceeding model for efficient change executions. (Martola 2016)

I recommend corporation's management to investigate this proceeding model in figure 27 and utilize it when they want to drive changes. Discretion in each change context are always needed. This study clarifies each step presented in the figure above and it is recommendable to carefully read through the whole study to understand why these factors are crucial and how to turn them into practice.

10.3 Primal leverages for corporation X.

Research question number three was following:

- Which are the primal leverages which corporation X needs to focus on in order to achieve their new target state?
- Short recommendations are given to corporation's X different business areas. These are based on interviews with majority of top and extended management team members.

Corporation X, business area 1:

Key problems identified by interviews:

- Interviewed managers do not have a collective accurate understanding of current competitive factors and importance of those in their value proposition mix for buyers.
- Allocation of resources and actions seems to be done without the guiding strategy. Probably strong connection to high value creation for customers is not ensured.
- Management do not have a collective accurate understanding of the target competitive factors for future. Target state is unknown.
- Problems in the execution of strategies and initiatives seem to exist and those are commonly noticed.

What is recommendable to do in the first phase:

- It is recommendable to start a project focusing only on defining corporation's X (business area 1) target value proposition together with the board of directors, top management team, extended management team and professionals. I prefer not use and trust the company's vision presentations expressed with just few sentences. Instead, the target state should be defined by visualized competitive factors concerning service, which demonstrates how the corporation is contesting to offer unique value mix for future's buyers in this business area. Definition should not be executed without strong contact to the external world with common and well-defined research approach. Involve individuals who really can understand the value creation for buyers and simultaneously can offer good insight about existing problems and barriers.
- Identify and leverage individuals who are respected and powerful enough to be in charge in the future changes. Assure their strong commitment toward change always. Additionally, offer these individuals good information and training on

creation of powerful strategies and efficient change leading before making them in charge.

- Prioritize strongly. Less is more.

Second phase:

- Start taking care that advice in figure 27 (A universal proceeding model for efficient change executions) is obeyed inside corporation from now on.

Why define the value proposition?

- Defining the value proposition in each business area should clarify collective understanding of the target state inside the corporation. Employees and management start seeing their own impact more clearly on the overall value, which positively influences their motivation, internal working life and working efficiency. The value proposition mix offers also the guiding framework for the change. By this, evaluating which change initiatives and projects are in line with the target state comes easier. Accurate value proposition helps to evaluate, which existing resource and actions are not in line with the target state. Additionally, it helps to identify key leverages to achieve the target state.
- It helps to prioritize things strongly, which is crucial in leading and managing the business. In other words, management can reduce the level of chaos significantly inside the corporation.
- Defining the value proposition offers a systematic way to become more unique with the value mix in industry. Simultaneously it helps to reduce unnecessary cost structures.

Why identification and leveraging respected and powerful people is important?

- Choosing the right people for being in charge of changes is important. People want to follow individuals who they respect and trust. Being in charge of the change demands several skills and strong stability to align people toward change. These individuals are going to face disruptive behavior from subordinates, which is natural in transitions. They need determinedly to take care of the strategy execution to be carried out and finished.

Why ascertaining commitment to change is important with people being in charge?

- If these individuals are against the change, they will damage or even stop the whole transformation to the target state. Employees and other managers become discouraged toward change.

Why prioritization is important?

- Having real strategy means accurate understanding of what should be done and what not. Without strong prioritization, the allocation of scarce resources effectively to the leverages toward target state is impossible. Without prioritization there is no empowerment. When you try to do too many things at the same time, the result is weak.

Why follow advice in figure 27?

- Figure 27 includes the key elements for successful change execution. Every subject presented in different boxes is a leverage toward the target state. Additionally, right timing of different actions is important.

Corporation X, business area 2:

Key findings identified by interview:

- Management's mindset is strongly customer oriented.
- Production's efficiency calls for significant improvements.
- Turnaround from b-to-b to b-to-c is a completely new scenario which disrupts the way business is done until now, and might offer great opportunities for profitable growth also outside the capital city area.

What is recommendable to do in the first phase?

- It is recommendable to start two different projects. First should focus on creating disruptive strategy to improve production's efficiency. Second project should focus on investigating how turnaround from b-to-b to b-to-c could be done.

Why disruptive strategies are needed in operational area?

- Operational efficiency will be one of the key factors in this business whether or not the business concentrates to b-to-b or b-to-c in future. Fast lead times with this service will always be one of key value creators for buyers. Making radical improvements in operational area offers both cost and negotiation advantages for some time period. Eliminating resource and time wasting in operations is obvious.

Why turnaround from the b-to-b to b-to-c should be investigated?

- Operational efficiency does not eliminate the current fact that price is and will be determinant in b-to-b. If company cannot change their approach in this business area, developing new value elements for customers does not pay back.

Middlemen with the predefined quotes will continue to control this business. But, if this approach can be turned to the b-to-c, additional value elements will matter much more and corporation might even find new blue ocean with better profits and healthy growth.

- Notion. If operational efficiency will be improved significantly and turnaround to b-to-c comes true, the two-way value creation for this business area actualizes. See chapters 6.3 (Reallocate resources and actions to leverages) – 6.6 (The four actions framework).

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ENCLOSURE 1 (2/4)

How company under examination has ensured that resources and actions are focused only to the competitive factors, which creates high value for customers?	

Who are customers of today for company under examination?	

Who aren't customers so far, but in theory could be for company under examination?	

What are apparent megatrends, which will influence directly or seconhand to demand for services offered by company under examination?	

What are the collateral products and services customers needs beside services offered by company under examination?	

ENCLOSURE 1 (3/4)

Target state: (Next phase)	
Competitive factors, where company under examination should focus it's resources and actions	Weight of each competitive factor (Scale: 0-5)

What are the biggest changes in value curves between current state and target state?	

Who are the target customers in target state?	

What are the megatrends, which target state will utilize?	

ENCLOSURE 1 (4/4)

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